

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
DECEMBER 12, 2012
APPLICATION SUMMARY**

NAME OF PROJECT: Reeves Eye Surgery Center

PROJECT NUMBER: CN1209-045

ADDRESS: 2328 Knob Creek Road, Suite 500
Johnson City, (Washington County), TN 37604

LEGAL OWNER: Reeves Eye Surgery Center, LLC
2685 Boones Creek Road
Johnson City, (Washington County), TN 37615

OPERATING ENTITY: Not Applicable

CONTACT PERSON: John Wellborn
(615) 665-2022

DATE FILED: September 13, 2012

PROJECT COST: \$1,246,992

FINANCING: Commercial Loan

PURPOSE OF REVIEW: Establishment of a single specialty Ambulatory
Surgical Treatment Center (ASTC), limited to
ophthalmology

PROJECT DESCRIPTION:

Reeves Eye Surgery Center, LLC is seeking approval to establish a single specialty ambulatory surgical treatment center (ASTC), limited to ophthalmology procedures performed on the patients of the Reeves Eye Institute, PLLC. Dr. Donny L. Reeves, M.D., a Board-certified ophthalmologist, is the owner of the medical practice and the proposed ASTC and is the only surgeon proposed to use the facility in the immediate future. The proposed ASTC will be housed in 3,616 square feet of build-out constructed shell space located at 2328 Knob Creek Road which is 4.5 miles south of Dr. Reeves' existing practice located at 2685 Boones Creek Road, Suite 102, Johnson City, (Washington County), TN. The

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single specialty ASTC will contain one sterile Class B operating room (allowing conscious sedation, but not general anesthesia); one YAG laser procedure room; a four (4) station pre-op/holding/post-operative recovery area supervised by a nursing station; an exam room; a reception and waiting area; an office; and other appropriate support areas. (*See floor plan in Attachment B.I.V.*). The ASTC will be staffed initially from 6:30AM to 5:30PM, two days per week (Tuesday and Wednesday). According to the applicant, ophthalmologists must divide their time between seeing patients in their offices (for diagnosis and non-surgical care) and performing surgical procedures at a surgical facility. The proposed ASTC will be staffed by clinical professionals contracted for 40% of their time from Dr. Reeves' adjoining practice office.

Service Specific Criteria and Standard Review

AMBULATORY SURGICAL TREATMENT CENTER

- 1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:**

- a. An operating room is available 250 days per year, 8 hours per day.**

The operating room and procedure room will only be utilized initially two days per week due to Dr. Reeves' need to see patients in his office the remaining three days of the week.

- b. The average time per outpatient surgery case is 60 minutes.**

The applicant indicates the procedures in this project will average 21.7 minutes per case.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.**

The applicant indicates the average turnaround time between cases will be 18.9 minutes in this project.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

The applicant estimates 1.07 procedures per case and projects 1,030 cases (i.e., 1,100 procedures) in the first year and 1,061 cases (i.e., 1,133 procedures) in the second year.

Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

A review of the Joint Annual Reports over the period of the latest three years reveals that all rooms reported in the Joint Annual Reports have been counted in the analysis in this application.

It appears that this criterion has been met.

2. **"Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.**

Washington and Sullivan Counties are identified as the primary service area. 80% of Dr. Reeves' surgical case patients reside in Washington and Sullivan Counties.

It appears that this criterion has been met.

3. **The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.**

The applicant states the majority (i.e., 59%) of patients live within 30 minutes travel time to the proposed site located at Knob Creek Road, Johnson City.

It appears that this criterion has been met.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

The applicant is proposing to build one operating room and one procedure room for a YAG laser within the ASTC and estimates 1.07 procedures per case and projects 1,030 cases (i.e., 1,100 procedures) in the first year and 1,061 cases (i.e., 1,133 procedures) in the second year.

It appears that this criterion has not been met. Due to the procedure room being totally dedicated to YAG laser procedures with 110 cases projected in the first year and 113 laser cases in the second year of operation, the applicant is requesting an exemption (with rationale on page 22) to this criterion.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Services and Development Agency may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

Over the three most recently reported years (2009-2011), the seven ASTCs within the applicant's proposed primary service area have performed at an average of 83.8% of the Guidelines for Growth's ASTC minimum utilization standard of 800 cases/room/year. The single specialty eye ASTCs performed at an average of 142% of the minimum standard, while the multi-specialty ASTCs performed at an average of 69%.

It appears that this criterion has not been met when the measurement is by cases.

6. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

The applicant plans to have one (1) operating room and one (1) procedure room in the ASTC designated for ambulatory surgical and YAC laser services.

It appears that this criterion has been met.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant provides projected utilization for the first eight quarters after project completion on page 22R of the application. On pages 36R-38R of the supplemental response, the applicant provides the methodology for projections which includes current procedures performed by Dr. Reeves.

It appears that this criterion has been met.

8. A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant has selected a service area of Washington and Sullivan Counties. Approximately 80% of the physician's practice patients reside in Washington and Sullivan Counties. The

proposed ASTC patient origin is based on the physician practice patient origin.

It appears that this criterion has been met.

SUMMARY:

Reeves Eye Surgery Center, LLC is being established by Donny Reeves, M.D., as a small, private practice ambulatory eye surgery center located approximately 4.5 miles south from Dr. Reeves' practice private practice center office in Johnson City (Washington County), TN. The proposed project is located in the Waterbrooke Professional Park approximately two miles south of Interstate 26 which connects Johnson City to Kingsport in adjoining Sullivan County. The applicant states the proposed site is approximately twelve minute drive time from Johnson City Medical Center and 24 minute drive time from Holston Valley Medical Center in Kingsport. The only member of Reeves Eye Surgery Center, LLC is Dr. Reeves and he proposes to remain the only surgeon who will be using the proposed ASTC in the immediate future.

Dr. Reeves has practiced within the proposed service area since 2004 and has established a large ophthalmology practice. He recently left a group, Regional Eye Care Center, PC, an ophthalmology practice in adjoining Sullivan County where he had ownership in both the ophthalmology practice as well as an eye surgery center, Regional Eye Surgery Center. According to the applicant, he left the Sullivan County based practice at the beginning of CY 2012 in order to establish an independent office in Johnson City (Washington County). His new Washington County location is closer to Niswonger Children's Hospital, where he expects to cover for the pediatric ophthalmology needs of its regional children's Emergency Department (ED).

The applicant previously filed an application for a single specialty ASTC in April 2012, limited to ophthalmology and to the patients of Reeves Eye Institute (CN1204-018). The applicant explains in the supplemental response the original application was withdrawn in August 2012 due to non-compete issues raised by The Kingsport, TN Ophthalmology ASC, LLC in Kingsport, TN, in which Dr. Reeves held previous ownership. The owner of Regional Eye Surgery Center states there were two non-compete zones, one for the professional practice (10 miles, and one for the surgery center (15 miles). The applicant explained the

site of the first CON application was more than fifteen (15) highway miles from the surgery center but was not fifteen (15) "straight line" miles away as interpreted by Dr. Reeves' former practice. The applicant elected to move the proposed ASTC in this new application to a point well beyond the non-compete radius rather than litigate the issue. The applicant believes that this relocation of the proposed site addresses the non-compete issues previously raised by The Kingsport, TN Ophthalmology ASC.

Dr. Reeves' services include high-volume cataract surgery with premium intraocular lenses; LASIK; medical retina, oculoplastic, and glaucoma procedures; pediatric ophthalmology; and neuro-ophthalmology services. The applicant offers further details of Dr. Reeves training and experience on page 9 of the application.

On pages 5 and 6 of the original application, the applicant cites physician control and productivity, patient convenience, increasing demand for services and Dr. Reeves' ability to continue to provide access to care for low-income patients as justification for approval.

The applicant indicates its primary service area will be Washington and Sullivan Counties from which Dr. Reeves drew 80% of his patients in CY2012 year to date. According to the Department of Health's Division of Health Statistics, the population of the service area counties is estimated to be 273,611 in 2012 and is expected to increase by 1.4% to 277,390 by 2016. The age 50+ proportion of the service area population in 2012 is 104,699 (38.3% of the total population) and is projected to grow by 4.7% to 109,575 in 2016 (39.5% of the total population). Service area residents enrolled in TennCare on June 15, 2012 equal 16.9% of the population, according to the Bureau of TennCare. The statewide enrollment in TennCare is 18.9%

Based on the Joint Annual Reports submitted to the Department of Health, there currently are nineteen ASTCs licensed in Washington and Sullivan Counties, seven of which offer eye surgery services. Four of the surgery centers offering ophthalmology services are multi-specialty ASTCs (two in Washington County and two in Sullivan County) and three are single specialty ophthalmology ASTCs (two in Sullivan County and one in Washington County). According to the three most recently reported Joint Annual Reports (2009-2011), eye surgery cases accounted for an average of 45.5% of all surgeries performed in the seven ASTCs where eye surgeries were a provided service. Amongst the seven ASTCs, the single specialty ophthalmology ASTCs, as a group, have exceeded the

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Guidelines for Growth's minimum 800/cases/room/year standard for each of the previous three years, averaging 42.3% above the minimum standard. Individually, one of the single specialty ASTCs is slightly below the 800 annual cases/room standard, while the other two are above the standard. In comparison the multi-specialty ASTCs which provide ophthalmology services averaged 67% of the *Guidelines for Growth's* minimum standard. Overall, the seven ASTCs operated at 83.8% of the *Guidelines for Growth's* minimum utilization standard of 800/cases/room/year. Below are the available capacities and utilization of the ambulatory surgical treatment center operating rooms where eye surgeries have been performed in Washington and Sullivan Counties during the past three years:

Historical Capacity & Utilization of ASTCs Offering Eye Surgery within the Service Area

			2009	2010	2011 (Final)		
ASTC	County	Oper. Rms/ Proc. Rms*	Cases	Cases	Cases	Eye cases % of Total Cases	% of G of G Utilization Standard**
Johnson City Med Ctr Ambulatory Surgery	Washington						
Ophthalmology			573	683	633	15.6%	
Total Outpatient Surgeries		8 / 1 = 9	3,829	4,175	4,064		56.5%
East TN Ambulatory Surgery Ctr	Washington						
Ophthalmology			0	0	6	0.2%	
Total Outpatient Surgeries		4 / 2 = 6	3,560	3,763	3,164		66%
Johnson City Eye Surgery Center	Washington						
Ophthalmology			3,598	4,014	4,046	100%	
Total Outpatient Surgeries		2 / 1 = 3	3,598	4,014	4,046		169%
Mountain Empire Cataract & Eye Surg Ctr	Sullivan						
Ophthalmology			2,368	2,300	2,363	100%	
Total Outpatient Surgeries		2 / 1 = 3	2,368	2,300	2,363		98.5%
Regional Eye Surgery Center	Sullivan						
Ophthalmology			4,541	4,936	2,572	100%	
Total Outpatient Surgeries		2 / 1 = 3	4,541	4,936	2,572		107.2%
Bristol Surgery Center	Sullivan						
Ophthalmology			44	37	33	1.0%	
Total Outpatient Surgeries		4 / 1 = 5	3,443	2,529	3,174		79.4%
Kingsport Ambulatory Surgery Center	Sullivan						
Ophthalmology			5	135	108	3.2%	
Total Outpatient Surgeries		4 / 1 = 5	3,313	3,237	3,415		85.4%
Total Service Area		26 / 8 = 34					
Ophthalmology			11,129	12,105	9,761	42.8%	
Total Outpatient Surgeries			24,662	24,954	22,798		83.8%
Cases per OR/PR			725	734	671		

*The area's multi-specialty ASTC operating/procedure room capacity has not changed over the three reported years.

** *Guidelines for Growth* ASTC Utilization Standard = 800 cases per room per year for 2011

Source: Department of Health, Division of Health Statistics, Joint Annual Reports 2009, 2010, 2011 *Final*

Dr. Reeves is currently using the East Tennessee Ambulatory Surgery Center for his outpatient surgical cases. The applicant indicates Dr. Reeves historically has been limited by several factors; lack of on-site equipment for eye procedures, lack of eye surgery tables (lengthening room turnaround time), limited and varying allocation of O.R. time and limits on how many cases can be scheduled during an allocated day. His patients now wait a month to have surgery, and every week he loses the opportunity to serve patients for whom such delays are an issue. The facility management of East Tennessee Ambulatory Surgery Center has been working with Dr. Reeves to address the facility's usage limitations by Dr. Reeves. However, the applicant notes if more profitable cases request time on the O.R. schedule, Dr. Reeves is finding his own time reduced.

The applicant projects that Dr. Reeves will perform 1,100 procedures on 1,030 cases (1.07 procedures/per case) in the first year of operation (2014) in his proposed ASTC and 1,133 procedures on 1,061 cases (1.07 procedures/per case) in year two (2015).

The projected Average Gross Charge per case is \$1,844, with average deductions from revenue reducing the Average Net Revenue collected to \$737 per case. Net operating income less capital expenditures (NOI) of \$186,617 is projected, an amount equal to approximately 10% of gross operating revenue during the first year of operation. NOI is expected to increase to 20% of gross operating revenue on 1,061 cases in the second year of the project, raising its net operating income less capital expenditures to \$314,901.

The applicant proposes to staff the ASTC with 1.8 FTEs (0.4 FTE Clinical Manager (experienced RN), 0.4 FTE RN, 0.4 FTE OR Scrub Tech, 0.4 FTE receptionist, and 0.2 FTE Business Office clerical support).

The government payor mix is expected to be 7% TennCare (or \$132,964) and 70% Medicare (or \$1,519,588) based on gross operating revenue in the first year of the project. The applicant states it intends to contract with three TennCare MCOs: TennCare Select, United Community Health Plan and BlueCare. According to the applicant, Dr. Reeves' practice is currently contracted with these three TennCare MCOs.

The total estimated project cost is \$1,246,992. This sum is composed of \$444,768 in acquisition of the site, \$401,300 in construction costs with contingency, \$245,000 for moveable equipment, \$20,000 in architectural and engineering fees, \$115,000 for legal administrative and consultant fees, \$17,924 in interim financing and \$3,000 for the CON filing fee.

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The applicant intends to finance the project through a commercial bank loan from First Citizens Bank of Johnson City, Tennessee. A copy of a letter from the Market Executive of First Citizens Bank, indicating the bank's interest in providing a \$1,247,000 loan to the Reeves Eye Surgery Center is included as Attachment C.2., accompanied by the August 2012 financial statements of the Reeves Eye Surgery Center, LLC and Dr. Reeves practice, the Reeves Eye Institute, PLLC.

The applicant has submitted the required corporate documentation, the real estate purchase agreement and demographic information. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for other Service Area entities proposing this type of single specialty ophthalmic ambulatory surgical treatment service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
11/07/12

LETTER OF INTENT

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY


2012 SEP -7 PM 3: 27
The Publication of Intent is to be published in the Johnson City Press, which is a newspaper of general circulation in Washington County, Tennessee, on or before September 10, 2012, for one day. 2012 SEP -7 PM 2: 40

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Reeves Eye Surgery Center (a proposed ambulatory surgical treatment center), to be owned and managed by Reeves Eye Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need for establishment of an ambulatory surgical treatment center in a building to be constructed at 2328 Knob Creek Road, Suite 500, Johnson City, Tennessee 37604, at a project cost estimated at \$1,247,000.

The facility will seek licensure by the Board for Licensing Health Care Facilities as a single-specialty ambulatory surgical treatment center limited to ophthalmology. It will have one (1) operating room and one (1) laser procedure room. The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any licensed bed complements.

The anticipated date of filing the application is on or before September 14, 2012. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215; (615) 665-2022.

	9-13-12	jwdsg@comcast.net
(Signature)	(Date)	(E-mail Address)

ORIGINAL
APPLICATION

2012 SEP 13 PM 2 01

REEVES EYE SURGERY CENTER

CERTIFICATE OF NEED APPLICATION FOR A SINGLE-SPECIALTY AMBULATORY SURGERY CENTER IN WASHINGTON COUNTY

Filed September, 2012

1. **Name of Facility, Agency, or Institution**

2012 SEP 25 AM 11:36

Reeves Eye Surgery Center
Name
2328 Knob Creek Road, Suite 500
Street or Route
Washington
County
Johnson City
City
TN
State
37604
Zip Code

2. **Contact Person Available for Responses to Questions**

John Wellborn
Name
Development Support Group
Company Name
4219 Hillsboro Road, Suite 203
Street or Route
Nashville
City
TN
State
37215
Zip Code
CON Consultant
Association with Owner
615-665-2022
Phone Number
615-665-2042
Fax Number
Title
jwdsg@comcast.net
Email address

3. **Owner of the Facility, Agency or Institution**

Reeves Eye Surgery Center, LLC
Name
2685 Boones Creek Road
Street or Route
Washington
County
Johnson City
City
TN
State
37615
Zip Code
423-722-1311
Phone Number

4. **Type of Ownership of Control (Check One)**

- A. Sole Proprietorship
- B. Partnership
- C. Limited Partnership
- D. Corporation (For Profit)
- E. Corporation (Not-for-Profit)

- F. Government (State of TN or Political Subdivision)
- G. Joint Venture
- H. Limited Liability Company
- I. Other (Specify)

✓

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

5. **Name of Management/Operating Entity (If Applicable)**

NA

Name

Street or Route

County

City

State

Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership

☒

D. Option to Lease

☐

B. Option to Purchase

☐

E. Other (Specify)

☐

C. Lease of _____ Years

☐

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify)

☐

I. Nursing Home

☐

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty

☐

J. Outpatient Diagnostic Center

☐

C. ASTC, Single Specialty

☒

K. Recuperation Center

☐

D. Home Health Agency

☐

L. Rehabilitation Facility

☐

E. Hospice

☐

M. Residential Hospice

☐

F. Mental Health Hospital

☐

N. Non-Residential Methadone
Facility

☐

G. Mental Health Residential

☐

O. Birthing Center

☐

Treatment Facility

☐

P. Other Outpatient Facility

☐

H. Mental Retardation Institutional
Habilitation Facility (ICF/MR)

☐

(Specify)

☐

Q. Other (Specify)

☐

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution

☒

G. Change in Bed Complement

B. Replacement/Existing Facility

☐

[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

C. Modification/Existing Facility

☐
☐

D. Initiation of Health Care
Service as defined in TCA §
68-11-1607(4)

☐

H. Change of Location

☐

(Specify)

☐

I. Other (Specify)

☐

E. Discontinuance of OB Services

☐

Add satellite ED

F. Acquisition of Equipment

☐

9. Bed Complement Data

Please indicate current and proposed distribution and certification of facility beds.

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical					
B. Surgical	NA				
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** to be applied for
Certification Type ambulatory surgical treatment center

11. **Medicaid Provider Number** to be applied for
Certification Type ambulatory surgical treatment center

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants?** p. 4 **If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract.**

Discuss any out-of-network relationships in place with MCOs/BHOs in the area.

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

Yes. It will be a new facility and it will seek both certifications. The Reeves Eye Surgery Center will be a private-practice facility serving the patients of Dr. Donny Reeves, who has served both Medicare and Medicaid patients of the area since starting his practice there in 2004. Dr. Reeves is a major provider of pediatric ophthalmology services to TennCare children in the area. He projects a 7% TennCare payor mix for this project (a minimum; current mix is higher).

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

Available TennCare MCO's	Applicant's Relationship
BlueCare	facility to be contracted; MD already contracted
United Community Health Plan	facility to be contracted; MD already contracted
Select	facility to be contracted; MD already contracted

Dr. Reeves contracts with all the area TennCare MCO's and with Virginia Medicaid. His TennCare payor mix in 2011 was substantially higher than the average for area eye surgery centers; and he remains committed to TennCare at his new location. He takes ED call in the service area.

SECTION B: PROJECT DESCRIPTION

B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

- The applicant LLC proposes to establish a small, private-practice ambulatory eye surgery center in Johnson City, Washington County. Its use will be limited to patients of Dr. Donny L. Reeves, a Board-certified ophthalmologist who is well-established in the service area. Dr. Reeves is the only ophthalmologist in the practice, the only member of the applicant LLC, and the only surgeon proposing to practice in this facility.
- Dr. Reeves has recently left a group ophthalmology practice and eye surgery center in adjoining Sullivan County, in both of which he had ownership and a large practice. He left in order to establish an independent office in Washington County (Johnson City). His new location is closer to Niswonger Children's Hospital (at Johnson City Medical Center)--where he covers the regional Children's ED for emergency pediatric ophthalmology needs.
- The facility will have one operating room (Class B; not for general anesthesia) and one Yag laser procedure room. It will be developed by building out condominium space purchased in an office building under construction, near I-26 (Quillen Parkway), the major highway between Johnson City and Kingsport.

Ownership Structure

- The applicant, the Reeves Eye Surgery Center, LLC, is wholly owned by Dr. Reeves. He does not own an interest in any other licensed facility in the State.

Service Area

- The primary service area of the project will be Washington and Sullivan Counties, which together contribute 80.4% of Dr. Reeves' patients. The secondary service area will be nearby Carter, Unicoi, Johnson, and Hawkins Counties, and the edge of southwest Virginia that is near the Tri-Cities area.

Need

- The establishment of this small, single-specialty facility will allow Dr. Reeves to reach maximum productivity. His surgeries will be supported by staff of optimal experience

and efficiency, focused only on ophthalmic procedures. It will give him sole quality control of his surgical staff, equipment, and supplies. It will allow him to continue to provide low-income patients with access to care. It will provide all his patients with optimal convenience, by offering them surgical services in a small, private setting staffed by personnel familiar to the patients, with direct access to their medical records from the practice setting several miles away.

- The seven area ambulatory surgery centers that perform ophthalmology services are utilized far above the State Guideline of 800 procedures per surgical room, at which additional capacity may be considered. They average 2,000 procedures per surgical room, which is 250% of the State Guideline of 800 per room. The three in Washington County, where this project is proposed, operate at 1,622 procedures per room, which is 202% of the Guideline. Of those three, two are open staff where Dr. Reeves could obtain privileges, but they already operate at 2,089 procedures per room, or 261% of the Guideline.

- Demand in the service area will continue to increase, so that this new facility's utilization can be achieved without a reduction in utilization of existing surgery centers as a group. Even a 5% increase in eye surgeries in the area will ensure that; and the elderly population in the service area will increase by more than 7% by CY2014.

- The project is also consistent with HSDA decisions historically, that such "practice-based" eye surgery facilities (i.e., co-located with the practice office) are orderly and effective improvements in the delivery of types of care that almost all persons need as they grow older.

Existing Resources

- In the two-county primary service area, there are seven ambulatory surgical treatment centers that provide ophthalmology services. Three of those are in Washington County, to which Dr. Reeves has just relocated his practice. Four are in Sullivan County, from which Dr. Reeves recently relocated.

- These seven facilities are highly utilized, averaging 2,000 procedures per surgical room.

Project Cost; Funding; Financial Feasibility; Staffing

- The cost of the project is estimated at \$1,246,992, which can be financed with a 100% loan from First Citizens Bank of Johnson City.

- Carrying a 7% TennCare mix, 3% charity and 2% bad debt, Dr. Reeves' facility will achieve a positive operating margin and a positive cash flow in Years One and Two.

- As is typical of such practice-based facilities, the surgery center will be operated initially on two full days per week, using four staff contracted part-time from the practice office. A total of only 1.8 FTE's will be required when the facility opens on or before January, 2014.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.*) INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

The Project

The project is to establish a private-practice ambulatory surgical treatment center (ASTC), limited to ophthalmology. It will serve only the patients of The Reeves Eye Institute, the solo medical practice of Donny Reeves, M.D. Dr. Reeves is a Board-certified ophthalmologist who has practiced eye surgery in the service area for eight years. The name of the proposed ASTC is the "Reeves Eye Surgery Center". Its primary service area will be Washington and Sullivan Counties in the Tri-Cities area of Upper East Tennessee.

Location of the Project

The project is located in the northwest sector of Johnson City, at 2328 Knob Creek Road, in Building E of the Waterbrooke Professional Park being developed at that location. Waterbrooke is in Washington County, approximately two miles south of Interstate 26 (James Quillen Parkway), which connects Johnson City to Kingsport in adjoining Sullivan County. The site is approximately 4.5 miles south of, and ten minutes' drive time from, Dr. Reeves' private practice office at 2685 Boones Creek Road near Exit 19 on I-26. The site is twelve minutes' drive time from Johnson City Medical Center, and 24 minutes' drive time from Holston Valley Medical Center in Kingsport. The attachments to this application provide location maps and a site plan for the project.

Description of the Facility

The project will be in Suite 500 of proposed Building E, a single-story, 9,265-SF office building that will consist of three condominium spaces. The CON applicant has a contract to purchase condominium Suite 500, contingent on obtaining CON approval for this project. Dr. Reeves' practice (not the LLC CON applicant) will also purchase the

much smaller, 1,145-SF adjoining condominium office space (Suite 504) for possible future use either as a satellite medical practice office, or as expansion space for the eye surgery center. It is being purchased so that future options will not be limited by lack of space at this location. No near-term build-out of the area is planned.

Suite 500 contains 3,616 SF of space, all of which will be built out and equipped as a licensed eye surgery center. It will have one sterile Class B operating room, allowing conscious sedation but not general anesthesia. It will have one Yag laser procedure/exam room, a pre-and post-op area with two pre-op and two post-op stations supervised by a nursing station, an exam room, a reception and waiting area, an office, and other appropriate support spaces. It will meet all Medicare and State Licensure requirements, and will be self-sufficient and independent of Dr. Reeves' private practice, as required by Medicare rules.

The facility will be operated initially on two days per week, Tuesday and Wednesday from 6:30 am to 5:30 pm. Ophthalmologists must divide their time between seeing patients at their offices (for diagnosis and non-surgical care) and performing surgical procedures at a surgical facility. It will be staffed by clinical professionals contracted from Dr. Reeves' practice office for 40% of their time. If granted CON approval this summer, the facility will open on or before January 1, 2014. Its first two full calendar years of operation will be CY2014-CY2015.

Table One: Summary of Construction and Changes in Size	
	Total Square Feet
Facility Before Project	0 SF
Facility After Project	3,616 SF
Area of New Construction	0 SF
Area of Build-out or Renovation	3,616 SF

Project Cost and Funding

The cost of the project is estimated at \$1,246,992, which can be financed with a 100% loan from First Citizens Bank of Johnson City.

Proponent and Ownership

The applicant LLC has only one member, Dr. Donny Reeves, who has been in practice in the service area since 2004. His services include high-volume cataract surgery with premium intraocular lenses; LASIK; and medical retina, oculoplastic, glaucoma procedures, pediatric ophthalmology, and neuro-ophthalmology services.

Dr. Reeves is Board-certified in Ophthalmology. He received his M.D. from the University of Utah, completed internship at the Bassett Hospital in Cooperstown, NY (an affiliate of Columbia University), and completed residency at the University of Wisconsin Hospital and Clinics system, where he was Chief Resident. He has privileges at both Holston Valley Medical Center in Sullivan County, and Johnson City Medical Center in Washington County. He provides ophthalmic coverage for the regional Children's Emergency Department at Niswonger Children's Hospital in Johnson City (one of six national affiliates of St. Jude Children's Hospital in Memphis).

Dr. Reeves graduated from the U.S. Army Air Assault School and the Army Airborne School, and was on active duty in Afghanistan in 2004-2005, completing his tours with the rank of Captain. He remains a Reserve Officer in the Medical Corps today, and was one of 24 junior officers nationwide who received the Douglas MacArthur Leadership Award in 1997. He received the Army Commendation Medal and was Utah's Army Reserve Officer of the Year in 1998. He received the University of Utah School of Medicine Community Service Award in 1999.

Licensure and Medical Staff

The facility will seek licensure as an ambulatory surgical treatment center limited to ophthalmology. It will have a closed medical staff, with surgical privileges restricted to ophthalmologists in the Reeves Eye Institute. That practice now has only one ophthalmologist, Dr. Donny Reeves, and Dr. Reeves has no immediate plans to recruit a partner.

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF \$5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF \$2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART. UTILIZING THE ATTACHED CHART, APPLICANTS WITH HOSPITAL PROJECTS SHOULD COMPLETE PARTS A-E BY IDENTIFYING, AS APPLICABLE, NURSING UNITS, ANCILLARY AREAS, AND SUPPORT AREAS AFFECTED BY THIS PROJECT. PROVIDE THE LOCATION OF THE UNIT/SERVICE WITHIN THE EXISTING FACILITY ALONG WITH CURRENT SQUARE FOOTAGE, WHERE, IF ANY, THE UNIT/SERVICE WILL RELOCATE TEMPORARILY DURING CONSTRUCTION AND RENOVATION, AND THEN THE LOCATION OF THE UNIT/SERVICE WITH PROPOSED SQUARE FOOTAGE. THE TOTAL COST PER SQUARE FOOT SHOULD PROVIDE A BREAKOUT BETWEEN NEW CONSTRUCTION AND RENOVATION COST PER SQUARE FOOT. OTHER FACILITY PROJECTS NEED ONLY COMPLETE PARTS B-E.

Not applicable.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

The estimated \$373,300 construction cost for the project is \$103.15 PSF, all of which is build-out of a constructed shell space. The project requires no new construction.

The 2009-2011 surgery center construction projects approved by the HSDA showed the average construction costs per SF that are listed in Table Two below. At an overall cost of \$103.15 PSF, the Reeves Eye Surgery Center project is in the median range of other approved projects.

Table Two: Ambulatory Surgical Treatment Center Construction Cost PSF Years: 2009 – 2011			
	Renovated Construction	New Construction	Total Construction
1 st Quartile	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
3 rd Quartile	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

Source: HSDA, 1-10-11 CON approved applications for years 2009 through 2011

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

Not applicable to an outpatient facility.

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):

- 1. ADULT PSYCHIATRIC SERVICES**
- 2. ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS**
- 3. BIRTHING CENTER**
- 4. BURN UNITS**
- 5. CARDIAC CATHETERIZATION SERVICES**
- 6. CHILD AND ADOLESCENT PSYCHIATRIC SERVICES**
- 7. EXTRACORPOREAL LITHOTRIPSY**
- 8. HOME HEALTH SERVICES**
- 9. HOSPICE SERVICES**
- 10. RESIDENTIAL HOSPICE**
- 11. ICF/MR SERVICES**
- 12. LONG TERM CARE SERVICES**
- 13. MAGNETIC RESONANCE IMAGING (MRI)**
- 14. MENTAL HEALTH RESIDENTIAL TREATMENT**
- 15. NEONATAL INTENSIVE CARE UNIT**
- 16. NON-RESIDENTIAL METHADONE TREATMENT CENTERS**
- 17. OPEN HEART SURGERY**
- 18. POSITIVE EMISSION TOMOGRAPHY**
- 19. RADIATION THERAPY/LINEAR ACCELERATOR**
- 20. REHABILITATION SERVICES**
- 21. SWING BEDS**

High Utilization of Existing Facilities Indicates an Areawide Need

Most outpatient ophthalmic (eye) surgery is now performed in an ambulatory surgery center, which is a lower-cost and more efficient setting than a hospital. Due to the aging of the population, and the development of new technology, eye surgery procedures in most urban areas are rapidly increasing.

That is clearly true in this project's primary service area (Washington and Sullivan Counties), where ophthalmologists serve a multi-county region of Upper East Tennessee. Seven surgery centers in the primary service area offer eye surgery services. As shown in Table Three-A below, their total eye surgery procedures increased 56.6% from 2009 to 2011--a gain of 8,653 procedures in just two years.

Table Three-A: Increase in Ophthalmic Surgical Procedures In Primary Service Area Surgery Centers 2009-2011			
	2009	2010	2011
Procedures	15,131	22,760	23,694
% Annual Change	--	50.4%	4.1%
Numeric Annual Change	--	+7,629	+934
% Change 2009-2011	--	--	+56.6%
Numeric Change 2009-2011	--	--	+8,653

Source: Joint Annual Reports; Table Eleven of this application

As a group and also individually, these seven facilities have high utilization. Joint Annual Report data in Tables Ten and Eleven of this application, in Section C(I).5 (p. 33), shows that as a group they are performing 2,000 procedures per surgical room, which is 250% of the 800-procedure-per-room State Guideline for CON consideration of additional surgical rooms. Three of the seven facilities are dedicated eye surgery centers that perform 83% of all ASTC-based eye surgeries in the primary service area; their combined utilization is 2,137 procedures per surgical room, or 267% of the Guideline. The three surgery centers in Washington County, where this project is proposed, operate at 1,622 procedures per room, or 202% of the Guideline for room capacity.

Growth in demand for eye surgery in this area is very likely to continue. Table Three-B below shows that the elderly population of the seven Tennessee counties served by this project will increase by 7% between 2011 and 2014 (Year One of the proposed project).

Table Three-B: Increase in Age 65+ Population of Service Area Counties (TN) 2011-2014		
County	2011 Population	2014 Population (Yr 1 of Project)
Carter	9,762	10,393
Hawkins	9,613	10,523
Johnson	3,392	3,678
Sullivan	28,360	30,050
Washington	18,316	19,826
Unicoi	3,481	3,658
Total Service Area	72,924	78,128
Increase, 2011-2014	--	+5,204 (+7.1%)

Because the elderly generate a large majority of all eye surgeries, a 7.1% increase in the service area's elderly population should increase the number of service area eye surgeries very substantially.

Even if area eye surgeries only increased 5% (which would be 1,184 procedures), this is more than Dr. Reeves projects performing. Therefore, the projected utilization for Dr. Reeves' proposed facility is almost certain to come from natural growth in market demand, rather than from reducing utilization of existing area surgery centers as a group.

Needs of Patients and Their Physician

Under his sole ownership and control, the proposed project will provide significant benefits to Dr. Reeves' patients and to his practice.

Patients will be served by familiar clinical and administrative staff that have immediate access to their paperwork and clinical information. If patients have cost issues with surgical facility fees, they will appreciate being able to work through those with their own ophthalmologist rather than with financial staff of an unknown facility.

As for Dr. Reeves, on the days a week he performs surgery, he will be more productive. He can employ handpicked surgical support staff, and control their training, education, and productivity. They will be able to concentrate on repetitive work in just a few types of procedures, achieving maximum efficiency in use of equipment and supplies to support the needs of the surgeon and the patient during a procedure. Dr. Reeves will have control over equipment and supply purchasing decisions to balance the objectives of quality outcomes, patient satisfaction, and costs of care. He controls his surgical schedule, and is the sole decision-maker with respect to serving uninsured and underinsured patients in his surgical facility.

Consistent With Orderly Development of Ophthalmology Services

These advantages have long been recognized by the CON Board. They have been consistently viewed as appropriate patient and professional needs, for a type of

acute care that virtually all persons will need during their lives, as an inevitable aspect of aging.

The applicant has reviewed an HSDA report showing that 21 CON applications to establish new eye surgery centers have been heard by the CON Board over the years. All 21 of them were approved. The need for ophthalmologists to reach maximum productivity to serve an aging population; the need to perform these procedures in the most efficient and cost-effective setting; the need of patients for efficient and convenient service--all of these needs have been consistently acknowledged by the CON program in Tennessee. And in this case in particular, Dr. Reeves has no alternative location where he can meet all of those needs in an optimal way.

Feasibility of the Project

As shown elsewhere in this application, the utilization that Dr. Reeves projects is very reasonable. He exceeded it during his last two years at his prior location in nearby Kingsport. It is well within area growth projections for the elderly population who generate so much ophthalmic surgery. This level of utilization will allow Dr. Reeves to provide 7% TennCare and 3% charity care in his practice, while maintaining competitive charges. It has financing available.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

Not applicable.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF \$1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

1. For fixed site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total Cost (As defined by Agency Rule);
 2. Expected Useful Life;
 3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
 - b. Provide current and proposed schedule of operations.
2. For mobile major medical equipment:
 - a. List all sites that will be served;
 - b. Provide current and/or proposed schedule of operations;
 - c. Provide the lease or contract cost;
 - d. Provide the fair market value of the equipment; and
 - e. List the owner for the equipment.
3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable. The project contains no major medical equipment.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

- 1. SIZE OF SITE (IN ACRES);**
- 2. LOCATION OF STRUCTURE ON THE SITE;**
- 3. LOCATION OF THE PROPOSED CONSTRUCTION; AND**
- 4. NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

The project site is very accessible to residents of Washington and Sullivan Counties, its primary service area. It is less than two miles south of I-26 / James Quillen Parkway), the main highway connecting Johnson City and Kingsport, the two communities where most of the primary service area population resides. The site is within the city limits of Johnson City (Washington County), and is within 28 minutes' drive of central Kingsport (Sullivan County).

Table Four: Mileage and Drive Times From Site of Reeves Eye Surgery Center (2328 Knob Creek Road, Johnson City) To Principal Towns in Primary Service Area			
	County or State	Distance	Drive Time
Johnson City (central)	Washington	3.9 mi.	10 min.
Kingsport (central)	Sullivan	22.1 mi.	28 min.
Bristol (central)	Sullivan	22.9 mi.	32 min.
Elizabethton	Carter	14.2 mi.	23 min.
Roan Mountain	Carter	29.1 mi.	46 min.
Mountain City	Johnson	47.1 mi.	66 min.
Erwin	Unicoi	14.5 mi.	21 min.
Rogersville	Hawkins	47.9 mi.	57 min.
Weber City	Virginia	26.3 mi.	31 min.
Bristol City	Virginia	23.0 mi.	32 min.

Source: Google Maps, Sep. 2012

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY....

Not applicable. The application is not for a home care organization.

C(I) NEED

C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

Project-Specific Review Criteria: Ambulatory Surgical Services

1. The need for ambulatory surgical services shall be based upon the following assumptions:

a. An operating room is available 250 days per year, 8 hours per day.

This Guideline for operating an ASTC full-time, at 2,000 hours per year, cannot reasonably be applied to a practice-based surgery center for a solo ophthalmology practice, because ophthalmologists must spend more than half their time providing office-based care rather than performing surgical procedures.

In this project, Dr. Reeves, who is highly productive in a surgical setting, envisions staffing the ASTC and utilizing it two full days per week, with the other three days being required to care for patients in his office. The facility's hours will be from 6:30 to 5:30 on those days, with an hour break for lunch. Actual cases will usually be performed between 7 am and 4 pm. The times before and after this are to open and prepare the facility, and to allow for all patients to recover and be discharged.

b. The average time per outpatient surgery case is 60 minutes.

c. The average time for clean-up and preparation between outpatient surgery cases is 30 minutes.

This Guideline is a general one that does not reflect ophthalmology requirements. Dr. Reeves' cases vary in their time requirements; see the following page for that data.

Average Procedure Time Calculation				
Type of Procedure	Minutes Per Procedure	Procedures Yr1	Total Minutes	Avg Minutes Per Procedure
Cataract	20"	503	10,060"	
Blepharoplasty	30"	140	4,200"	
Yag Laser	10"	110	1,100"	
Other	20"	347	6,940"	
Total		1,100	22,300"	20.3 Minutes

Average Case Time Calculation				
Type of Case	Minutes Per Case	Cases Yr 1	Total Minutes	Avg Minutes Per Case
Cataract	20"	503	10,060"	
Blepharoplasty	60" (2 proced)	70	4,200"	
Yag Laser	10"	110	1,100"	
Other	20"	347	6,940"	
Total	--	1,030	22,300"	21.7 Minutes

Procedures Per Case, 2009-2014 Donny Reeves, M.D.							
	Actual 2009	Actual 2010	Actual 2011	Projected 2012	Projected 2013	Projected Year 1 2014	Projected Year 2 2015
Procedures	1,015	1,214	1,206	900	900	1,100	1,133
Cases	973	1,126	1,121	841	841	1,030	1,061
Procedures per Case	1.04	1.08	1.08	1.07	1.07	1.07	1.07

Average Turnaround Time Calculation				
Type of Case	Minutes Turnaround	Cases Yr 1	Total Minutes Turnaround	Avg Minutes Turnaround/Case
Cataract	20"	503	10,060"	
Blepharoplasty	20"	70	1,400"	
Yag Laser	10"	110	1,100"	
Other	20"	347	6,940"	
Total		1,030	19,500"	18.9 Minutes

d. The expected capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year of capacity.

The project complies with this standard. The only dedicated outpatient operating room in the project will perform more than 800 cases per year.

e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

The application's inventory of ambulatory surgery rooms in the service area includes all existing and approved operating rooms and procedure rooms.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services, and/or in which the majority of its service recipients reside.

The two-county primary service area of the project reflects Dr. Reeves' current patient origin during CY2012. More than 80% of his surgical cases have come from Washington and Sullivan Counties.

3. The majority of the population of a service area for ambulatory surgical services should reside within 30 minutes travel time of the facility.

The drive time analysis in Section B.III.B.1 above shows that the project site is within 30 minutes' drive of both Kingsport and Johnson City. The UT Center for Business and Economic Research publishes population projections (Series for 2010-2030) showing that the combined population of those two cities in 2010 was 98,609, which was 59% of the primary service area population of 167,687.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days X 4 surgeries/procedures X .80.

The applicant has conservatively projected utilization of 1,133 surgical procedures in Year Two (CY2015), of which an estimated 1,020 will be performed in the single operating room, and 113 will be performed in the laser procedure room.

The utilization of the operating room will exceed 800 procedures annually. The utilization of the laser exam/procedure room will not.

However, it is not practical to squeeze Yag laser equipment into a small Class B operating room. Having a separate dedicated laser procedure room is a standard design feature for eye surgery centers today.

Were this very small Yag laser room not allowed by the CON Board, there would not be a savings for the healthcare system, for three reasons. First, eliminating it would not reduce the footprint of this pre-existing space, which is a rectangular shell that must be finished internally in order to be licensable. Second, the Yag laser equipment would still require its own storage room of almost the same size. Third, the same number of Yag procedures will be performed, but in a less efficient way, i.e., by constantly transporting the Yag laser equipment back and forth between its storage room and the operating room.

There is another consideration that justifies approving this second surgical room. The O.R. will immediately be utilized at more than 80% of its capacity. This should automatically justify having a second surgical room. If the CON program starts requiring that all of a proposed surgery center's surgical rooms reach 80% utilization in Year Two, then every approved ASTC would be almost immediately at full occupancy--which is not a credible way of planning any project. Approved capacity should be sufficient to last several years.

5. A CON proposal to provide new ambulatory surgical services shall not be approved unless existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the HFC may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs, or proposals for facilities where accessibility to surgical services are limited.

This project is for a "limited-specialty type program" and this 80% utilization standard need not be applied, at the HSDA's discretion. However, the project does meet

this criterion, because the service area's ambulatory surgery facilities are currently utilized at 202%-267% of the standard of 800 procedures per surgical room.

Guidelines #1 and #4, taken together, appear to indicate that 80% of capacity means 800 procedures or cases per year per surgical room. Table Eleven in Section C(I)5 below shows the utilization for all seven area surgery centers that offer eye surgery. The data is from their 2008-2011 Joint Annual Reports. Table Five below, taken from Table Eleven, demonstrates that the 800 procedure per room Guideline is exceeded from several perspectives: at all seven facilities that offer eye procedures; at the three dedicated eye surgery centers in the area, at the three facilities in Dr. Reeves' county; and at the two in his county that have open medical staffs (i.e., where privileges are not limited to one private practice).

Table Five: Aggregated Utilization Statistics from Table Eleven		
ASTC Grouping	CY2011 Utilization As Percent of Guideline	Procedures/ Surgical Rooms/ Utilization Per Room
All 7 ASTC's Offering Ophthalmology	250%	68,014 / 34 rms / 2,000 per rm
3 Dedicated Eye Surgery Centers	267%	19,236 / 9 rms / 2,137 per rm
3 ASTC's in Washington County	202%	29,192 / 18 rms / 1,622 per rm
2 ASTC's with Open Medical Staffs (JSC Med Center Amb. Surg; E TN Amb Surg)	261%	58,488 / 28 rms / 2,089 per rm

On a case basis, the seven facilities offering ophthalmology are utilized at only 671 cases per surgical room. However, this average is artificially depressed by including the Johnson City Medical Center Ambulatory Surgery utilization. If only the six freestanding non-hospital ASTC's are considered, they last reported a total of 18,734 cases and 25 surgical rooms, which was an average of 750 cases per room--very close to the 800-case benchmark.

6. A CON proposal to provide new or expanded ambulatory surgical services must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

The project contains one operating room and one Yag procedure room.

7. A CON proposal to provide new or expanded ambulatory surgical services must project patient utilization for each of the first eight calendar quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

<u>Year One (2014)</u>	<u>Procedures</u>	<u>Cases</u>
Q1 (25.7%)	283	265
Q2 (26.7%)	294	275
Q3 (25.4%)	279	262
Q4 (22.2%)	<u>244</u>	<u>228</u>
	1,100	1,030
<u>Year Two (2015)</u>		
Q1 (25.7%)	291	273
Q2 (26.7%)	302	283
Q3 (25.4%)	288	269
Q4 (22.2%)	<u>252</u>	<u>236</u>
	1,133	1,061

Annual procedures are projected as discussed in Section C(I)6 below. Dr. Reeves has been performing surgical procedures during CY2012 at a rate of approximately 900 per year (892 annualized) and expects to perform at that rate until he can utilize his own facility. After he moves into his proposed Eye Surgery Center by January 2014, he expects to perform at least 1,100 procedures in CY2014 and at least 1,133 in CY2015--bringing him almost to his average surgical volume during the last three years he was officed in Kingsport. In the data above, projected annual utilization is distributed by the same quarterly percentages as Dr. Reeves' CY2011 surgeries.

8. A CON proposal to provide new or expanded ambulatory surgical services must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

See the response to C.2 below. Projections are based on the current CY2012 patient origin of the practice.

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The project will allow Dr. Reeves to attain maximum professional productivity in his eye surgeries, which addresses the needs of a rapidly increasing middle-aged and elderly population in the service area.

2. Access to Care

Every citizen should have reasonable access to health care.

Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Dr. Reeves currently provides periodic free public screenings for cataract, glaucoma, and diabetic retinopathy, which expands access for low-income persons. This project will allow Dr. Reeves to provide timely access to medical and surgical care for those screened patients who are found to need further care.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. **The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

Dr. Reeves' project offers a new consumer alternative in the service area and is consistent with this principle.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.

Dr. Reeves is committed to best practice standards and works with area optometrists and the public to increase awareness of these. He is accredited by the American Board of Optometry to provide continuing medical education (CME for credit) to optometrists and he regularly provides those classes to optometrists in the service area. Also, the proposed facility will seek full accreditation to ensure that high standards of quality are met.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.

This project will not significantly impact the numbers of persons in the service area workforce, but it will increase their levels of training and education as described in #4 above.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

Not applicable. The project is for a new licensed facility without a long-range campus development plan.

C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

Tables Six-A and Six-B on the following page identify the project service area, based on CY2012 residences of patients of the Reeves Eye Institute (the practice office).

Dr. Reeves' office is on the northwest edge of Washington County, within reasonable drive times of patients living in both Sullivan and Washington Counties. Approximately 80% of the project's surgical patients are projected to come from those two counties. His eye surgery center patients will be exclusively from his office practice.

Another 20% are projected to come from Carter, Johnson, and Unicoi Counties (which adjoin Washington County), from Hawkins County (in which part of Kingsport lies), and from nearby parts of Virginia.

A service area map and a map showing the location of the service within the State of Tennessee are provided as Attachments C, Need--3 at the back of the application.

Table Six-A: Patient Origin Reeves Eye Institute, PLLC CY 2012--Q1					
County	Patients	Percent of TN Total	Cumulative Percent of TN Total	Percent of Grand Total	Cumulative Percent of Grand Total
Washington	37	40.2%	40.2%	37.0%	37.0%
Sullivan	37	40.2%	80.4%	37.0%	74.0%
Carter	11	12.0%	92.4%	11.0%	85.0%
Hawkins	3	3.3%	95.7%	3.0%	88.0%
Johnson	2	2.2%	97.8%	2.0%	90.0%
Unicoi	2	2.2%	100.0%	2.0%	92.0%
<i>Subtotal, 6 TN Counties</i>	<i>92</i>	<i>100.0%</i>		<i>92.0%</i>	
Virginia	8			8.0%	100.0%
<i>Grand Total</i>	<i>100</i>			<i>100.0%</i>	

Source: Medical records of Reeves Eye Institute

Table Six-B: Patient Origin Reeves Eye Surgery Center CY2014 - CY2015			
County	Percent of Procedures	Procedures Year One (CY2014)	Procedures Year Two (CY2015)
Washington	40%	440	453
Sullivan	40%	440	453
Carter	12%	132	136
Hawkins	3%	33	34
Johnson	2%	22	23
Unicoi	2%	22	23
Virginia	1%	11	11
<i>Total</i>	<i>100%</i>	<i>1,100</i>	<i>1,133</i>

C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

Please see Table Seven on the following page. The primary service area (PSA) population is somewhat more aged than the Tennessee population. In 2012, 38.3% of PSA residents will be 50 years of age or older, compared to 33.5% Statewide. The PSA's population aged 50 and older will also increase faster than the PSA total population--by 4.7% between 2012 and 2016, compared to only 1.4% for the total population. It is this increase in the maturing service area population that creates increasing demand for eye surgery, which is correlated closely with age. *Immediately below on this page is an un-numbered table summarizing the data for Tables Seven and Eight, but using the 65+ population as requested by staff during its previous review of this project.*

Summary of Tables Seven & Eight on Following Pages (Age 65+ used here instead of 50+ cohort of applicant)				
Demographic / Geographic Area	Sullivan County	Washington County	Primary Service Area Total	State of TN Total
Total Population- Current Year -2012	154,250	119,361	273,611	6,361,070
Total Population- Projected Year -2016	154,872	122,518	277,390	6,575,165
Total Population-% change	+0.4%	+2.6%	+1.4%	+3.4%
Age 65 & over Population - 2012	28,909	18,802	47,711	878,496
Age 65 & over Population - 2016	31,156	20,888	52,044	987,074
Age 65 & over Population - % change	+7.8%	+11.1%	+9.1%	+12.4%
Age 65 & over Population as % of Total Population (2016)	20.1%	17.1%	18.8%	15.0%
Median Household Income	\$39,957	\$41,256	\$40,607	\$43,314
TennCare Enrollees	27,100	18,809	46,718	1,211,213
TennCare Enrollees as % of Total	17.6%	15.8%	17.1%	19.2%
Persons Below Poverty Level	24,935	20,784	45,719	1,047,107
Persons Below Poverty as % of Total	15.9%	16.9%	16.4%	16.5%

Table Seven: Primary Service Area Adult Population Ages 50+ Reeves Eye Surgery Center 2012-2016						
Primary Service Area Counties	2012		2016		PERCENT CHANGE	
	TOTAL	50+	TOTAL	50+	TOTAL	50+
Washington	119,361	42,353	122,518	45,083	2.6%	6.4%
Sullivan	154,250	62,346	154,872	64,492	0.4%	3.4%
PRIMARY SERVICE AREA	273,611	104,699	277,390	109,575	1.4%	4.7%
% Mature 50+		38.3%		39.5%		
STATE OF TENNESSEE	6,361,070	2,130,316	6,575,165	2,292,439	3.4%	7.6%
% Mature 50+		33.5%		34.9%		

Source: TDH Population Projections, Feb. 2008

C(1).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

Relevant data from the TennCare Bureau and the U.S. Census websites are shown on the following page in Table Eight. The source documents from the websites are attached at the back of the application.

The two-county primary service area has a 6.3% lower household median income than the Tennessee average household--\$40,607 compared to \$43,314. However, its March 2012 percent enrollment in TennCare was 16.8% compared to 18.8% Statewide. Approximately 16.4% of primary service area residents have income below the Federal poverty index, almost at the Tennessee average of 16.5%.

The project will serve all of the groups listed above. It will seek Medicare and TennCare certification and contracts with area TennCare MCO's. It will provide charity care. It will work out payment plans consistent with family means, for the uninsured and underinsured who do not qualify for charitable discounts.

Table Eight: Primary Service Area Profile for Income and Poverty Level Reeves Surgery Center					
SERVICE AREA COUNTIES	TENNCARE ENROLLMENT			POVERTY PROFILE	
	March 15, 2012 Enrollment	2012 Population	Percent Enrolled	Median Income	% & No Below Poverty Index
Washington	18,809	119,361	15.8%	\$41,256	16.9%
Sullivan	27,100	154,250	17.6%	\$39,957	20,784 15.9%
					24,935
PSA TOTAL	45,909	273,611	16.8%		
PSA				\$40,607	16.4%
					45,719
TENNESSEE	1,199,005	6,361,070	18.8%	\$43,314	16.5%
PSA VARIANCE FROM STATE			-2.1%	-6.3%	-0.1%

Source: Bureau of TennCare; U.S. Census QuickFacts. Percent errors due to rounding.

C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

Table Nine below shows all of the service area's ambulatory surgery facilities that reported providing any ophthalmology services in 2011, and their distances from the project site. There are seven such facilities in the primary service area.

Table Nine: Mileage and Drive Times From Site of Reeves Eye Surgery Center (2328 Knob Creek Road, Johnson City) To Other Service Area Surgery Centers Offering Ophthalmology Services			
	City/County	Distance	Drive Time
1. Johnson City Medical Center Ambulatory Surgery	Johnson City / Washington	2.7 mi.	9 min.
2. East Tennessee Ambulatory Surgical Center	Johnson City / Washington	0.5 mi.	2 min.
3. Johnson City Eye Surgery Center	Johnson City / Washington	0.7 mi.	2 min.
4. Bristol Surgery Center	Bristol / Sullivan	23.1 mi.	37 min.
5. Kingsport Ambulatory Surgery Center	Kingsport / Sullivan	22.5 mi.	29 min.
6. Mountain Empire Cataract and Eye Surgery Center	Bristol / Sullivan	31.3 mi.	37 min.
7. Regional Eye Surgery Center	Kingsport / Sullivan	24.9 mi.	28 min.

Source: Google Maps, April 2012

Table Ten on the following page (identical to Table Five in a prior section) summarizes their utilization, and compares it to the State Guidelines for Growth standard of 800 or more procedures/cases annually. This area's facilities utilize their surgical rooms at two to three times the intensity of the Guideline standard whether taken as a whole or grouped by characteristics relevant to this project. Table Eleven on the second

following page provides the detailed utilization data each of these seven providers submitted in its Joint Annual Reports from 2008-2011.

Table Ten: Aggregated Utilization Statistics From Table Ten		
ASTC Grouping	CY2011 Utilization As Percent of Guideline	Procedures/ Surgical Rooms/ Utilization Per Room
All 7 ASTC's Offering Ophthalmology	250%	68,014 / 34 rms / 2,000 per rm
3 Dedicated Eye Surgery Centers	267%	19,236 / 9 rms / 2,137 per rm
3 ASTC's in Washington County	202%	29,192 / 18 rms / 1,622 per rm
2 ASTC's with Open Medical Staffs (JSC Med Center Amb. Surg; E TN Amb Surg)	261%	58,488 / 28 rms / 2,089 per rm

Note: Table Ten is identical to Table Five in a previous section.

Table Eleven-A: Reeves Eye Surgery Center
Historic Utilization of Alternative Surgery Centers With Ophthalmology Services (Procedures Per Surgical Room)
Primary Service Area

2008 Joint Annual Report of ASTC's										
State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Procedures Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	9	1	10	4,915	8,603	860	1,182	13.7%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	2,567	3,900	650	8	0.2%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	3,186	3,820	1,273	3,820	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	4,084	6,166	1,233	52	0.8%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	2,945	6,543	1,309	719	11.0%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,213	4,183	1,394	4,183	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,261	5,126	1,709	5,126	100.0%
					0					
	TOTAL SERVICE AREA		27	8	35	24,171	38,341	1,095	15,090	39.4%

2009 Joint Annual Report of ASTC's										
State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Procedures Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	3,829	11,675	1,297	2,197	18.8%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,560	5,955	993	0	0.0%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	3,598	4,412	1,471	4,412	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	3,443	5,363	1,073	69	1.3%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,313	12,270	2,454	30	0.2%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,368	3,434	1,145	3,434	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,541	4,989	1,663	4,989	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	24,652	48,098	1,415	15,131	31.5%

2010 Joint Annual Report of ASTC's										
State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Procedures Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	4,175	12,929	1,437	2,618	20.2%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,763	4,750	792	0	0.0%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	4,014	4,532	1,511	4,532	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	2,529	4,020	804	46	1.1%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,237	12,013	2,403	630	5.2%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,300	5,147	1,716	5,147	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,936	9,787	3,262	9,787	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	24,954	53,178	1,564	22,760	42.8%

2011 Joint Annual Report of ASTC's										
State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Procedures Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	4,064	19,940	2,216	3,626	NR
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,164	4,760	793	7	0.1%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	4,046	4,492	1,497	4,492	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	3,174	4,797	959	33	0.7%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,415	19,281	3,856	792	4.1%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,363	5,034	1,678	5,034	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	2,572	9,710	3,237	9,710	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	22,798	68,014	2,000	23,694	34.8%

Table Eleven-B: Reeves Eye Surgery Center
Historic Utilization of Alternative Surgery Centers With Ophthalmology Services (Cases Per Surgical Room)
Primary Service Area

2008 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Cases Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	9	1	10	4,915	8,603	492	1,182	13.7%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	2,567	3,900	428	8	0.2%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	3,186	3,820	1,062	3,820	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	4,084	6,166	817	52	0.8%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	2,945	6,543	589	719	11.0%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,213	4,183	738	4,183	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,261	5,126	1,420	5,126	100.0%
					0					
	TOTAL SERVICE AREA		27	8	35	24,171	38,341	691	15,090	39.4%

2009 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Cases Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	3,829	11,675	425	2,197	18.8%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,560	5,955	593	0	0.0%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	3,598	4,412	1,199	4,412	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	3,443	5,363	689	69	1.3%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,313	12,270	663	30	0.2%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,368	3,434	789	3,434	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,541	4,989	1,514	4,989	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	24,652	48,098	725	15,131	31.5%

2010 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Cases Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	4,175	12,929	464	2,618	20.2%
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,763	4,750	627	0	0.0%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	4,014	4,532	1,338	4,532	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	2,529	4,020	506	46	1.1%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,237	12,013	647	630	5.2%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,300	5,147	767	5,147	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	4,936	9,787	1,645	9,787	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	24,954	53,178	734	22,760	42.8%

2011 Joint Annual Report of ASTC's

State ID	Facility Name	County	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Total Procedures	Cases Per Surgical Room	Ophthalmology Procedures	Ophthalmology Percent of Total
90229	Johnson City Med Center Ambulatory Surgery	Washington	8	1	9	4,064	19,940	452	3,626	NR
90660	East Tennessee Ambulatory Surgery Center	Washington	4	2	6	3,164	4,760	527	7	0.1%
90715	Johnson City Eye Surgery Center	Washington	2	1	3	4,046	4,492	1,349	4,492	100.0%
82298	Bristol Surgery Center	Sullivan	4	1	5	3,174	4,797	635	33	0.7%
82662	Kingsport Ambulatory Surgery Center	Sullivan	4	1	5	3,415	19,281	683	792	4.1%
82707	Mountain Empire Cataract & Eye Surgery Center	Sullivan	2	1	3	2,363	5,034	788	5,034	100.0%
82709	Regional Eye Surgery Center	Sullivan	2	1	3	2,572	9,710	857	9,710	100.0%
					0					
	TOTAL SERVICE AREA		26	8	34	22,798	68,014	671	23,694	34.8%

C(1).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

Table Twelve-A: Historic Surgical Procedures at Regional Eye Center (Kingsport) and Projected Surgical Procedures at Reeves Eye Surgery Center (Johnson City) Donny Reeves, M.D. CY2009-CY2015							
	Reg'l Eye 2009	Reg'l Eye 2010	Reg'l Eye 2011	Other ASTC's 2012	Other ASTC's 2013	Reeves Eye ASTC 2014	Reeves Eye ASTC 2015
Surgical Procedures	1,015	1,214	1,206	900	900	1,100	1,133
% Change From Prior Year	--	+19.6%	-0.7%	-25.4%	no change	+37.5%	+3.0%
% Change 2009-2011	--	--	+18.8%	--	--	--	--
CAGR 2009-2011	--	--	+9.0%	--	--	--	--

Source: Practice records (surgery logs) and projections

Table Twelve-B: Historic Surgical Cases at Regional Eye Center (Kingsport) and Projected Surgical Cases at Reeves Eye Surgery Center (Johnson City) Donny Reeves, M.D. CY2009-CY2015							
	Reg'l Eye 2009	Reg'l Eye 2010	Reg'l Eye 2011	Other ASTC's 2012	Other ASTC's 2013	Reeves Eye ASTC 2014	Reeves Eye ASTC 2015
Surgical Cases	973	1,126	1,121	841	841	1,030	1,061
% Change From Prior Year	--	+15.7%	-0.4%	-25.0%	no change	+37.5%	+3.0%
% Change 2009-2011	--	--	+15.2%	--	--	--	--
CAGR 2009-2011	--	--	+7.5%	--	--	--	--

Source: Estimates from practice procedure records and projections

Historical Procedures and Cases

Until late CY2011, Dr. Reeves performed his outpatient surgeries at the Regional Eye Surgery Center in Kingsport (Sullivan County), as a member and part owner of the Regional Eye Center, P.C., an ophthalmology group practice with ownership in that surgical facility. At the beginning of CY2012, he separated from that practice to establish his own solo ophthalmology practice in the Boones Creek area of Johnson City, in adjoining Washington County. At that time, he also ceased providing surgery at the practice's Regional Eye Surgery Center, in which he had ownership.

Having left both his former practice and surgical facility in Kingsport, he no longer has access to their information systems to generate utilization reports for his practice there. He was able to closely estimate his historical procedures (Table Twelve-A above) from his personal patient logs; but he was not able to gather historical case data. So the CY2009-CY2011 historical cases (Table Twelve-B above) above are estimated, based on blepharoplasty cases at 50% of blepharoplasty procedures, and all other cases at one case per procedure.

At the East Tennessee Ambulatory Surgery Center, where Dr. Reeves performs most of his surgeries, the facilities do not allow him to be highly productive. This facility historically has not performed any significant number of eye surgeries (only 15 cases from 2008 through 2011). His cases there have been limited by lack of on-site equipment for eye procedures, lack of eye surgery tables (lengthening room turnaround time), limited and varying allocation of O.R. time; and limits on how many cases can be scheduled during an allocated day. This facility's management has been working with Dr. Reeves to address facility limitations. However, if more profitable cases request time on the O.R. schedule, Dr. Reeves is finding his own time allocations reduced.

These factors--and the need to perform surgery at three separate facilities--have made him much less productive than he was at his Kingsport facility in CY2011. His patients now may wait a month to have surgery; every week he loses the opportunity to serve patients for whom such delays are an issue. He expects to be allowed to perform only 900 procedures at all locations, during CY2012 and again during CY2013.

Projected Utilization--Procedures and Cases

In CY2012, Dr. Reeves has performed approximately 70% of his procedures at the East Tennessee Ambulatory Surgery Center in Johnson City. Annualized over the past six months March-August, his utilization there is at the level of approximately 700 per year. He is also performing approximately 80 procedures per year (annualized) at Hawkins Memorial Hospital, to serve some Virginia Medicaid patients who do not have access in Johnson City. He also performs approximately 120 procedures per year (annualized) at Johnson City Medical Center Day Surgery, of which an estimated 40 are pediatric procedures requiring general anesthesia. The combined work at the three locations represents 900 annualized procedures per year, of which 860 are transferable to this proposed project. (His pediatric procedures will continue to be done at a facility with general anesthesia). His referrals are still increasing; so 900 "transferable" procedures are projected for his practice in each of CY2012 and CY2013.

His conservative projection for CY2014, Year One in his own practice-based surgery center, is 1,100 procedures, an increase of 22%. Utilization is projected to increase 3% more in Year Two (CY2015), to 1,133 procedures. These projected increases are very reasonable. Once he has his own eye surgery room, he will not lose patients due to delays in scheduling their surgeries, and he will have the maximum efficiency of his own team and equipment. The Year One projection of 1,100 procedures is actually lower than his three-year average of 1,145 procedures at his Kingsport location. It is lower than the 1,200+ procedures he performed in Kingsport during each of the last two years. New relationships with Washington County referral sources, as well as established and continuing relationships with his CY2011 referral sources, should assure that the proposed Reeves Eye Surgery Center will attain its projected utilization.

Efficient Utilization of Proposed Capacity

Table Twelve-C on the following page shows that the project's single O.R. in Year One will be used for 659.9 hours. Based on two operating days per week (the most that a solo ophthalmologist can give to surgery), that is 82.5% utilization of available O.R. capacity:

Capacity of O.R. = 2 days X 8 hrs X 50 weeks/year = 800 hours available

Utilization = 659.9 hrs / 800 hrs capacity = 82.5% utilization of O.R.

The Yag "procedure" room is going to be used 36.7 hours per year. However, it is justified from several practical perspectives. First and most important, the O.R. is being used at more than 80% of its capacity, which under State Guidelines should automatically justify having a second surgical room. If the CON program required all of an ASTC's proposed rooms to be at 80% utilization in Year Two, then every approved ASTC would be almost immediately at optimal occupancy--which is not a credible way of planning any facility. Approved "bricks and mortar" should be sufficient to last several years.

Second, the YAG laser equipment needs a storage room of its own and it makes common sense for such a room to be enlarged slightly into an eye exam/treatment room, because it is inefficient to move the YAG equipment back and forth every week between a storage room and an O.R. Third, this room is not new construction; it is existing space inside a leased unit that is going to require build-out anyway. Making it an exam/treatment room (which is not a sterile O.R.) adds no significant capital expense.

Table Twelve-C: Time Requirements for Year 1 Cases						
	Minutes Per Case	Minutes Turnaround	Total Minutes	Year 1 Cases	Year 2 Minutes	Year 2 Hours
Cataract	20"	20"	40"	503	20,120"	335.3 hrs
Blephar'y	60"	20"	80"	70	5,600"	93.3 hrs
Other (OR)	20"	20"	40"	347	13,880"	231.3 hrs
<i>OR Total</i>				920	39,600	659.9 hrs
<i>YAG Total</i>	10	10	20	110	2,200"	36.7 hrs
<i>Facility Total</i>				1,030	41,800 "	796.6 hrs

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

- **ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST \$3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.**

- **THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.**

- **THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.**

- **FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.**

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the project architect.

Line A.2, legal, administrative, and consultant fees, include a contingency for expenses of an administrative appeals hearing.

Line A.3, site acquisition cost, is the cost of purchasing the condominium office in which this project will be constructed.

Line A.4, site preparation cost, is zero because no extra site work is required to purchase and to use the condominium space.

Line A.5, construction cost, was calculated at \$103.24 PSF, for a build-out/renovation of 3,616 SF.

Line A.6, contingency, was estimated by the contractor/developer of the office park.

Line A.7 includes both fixed and moveable equipment costs, estimated by Surgery Center Services of America, a development consultant to Dr. Reeves.

PROJECT COSTS CHART -- BOONES CREEK EYE SURGERY CENTER

A. Construction and equipment acquired by purchase

1. Architectural and Engineering Fees	\$ 20,000
2. Legal, Administrative, Consultant Fees (Excl CON Filing)	115,000
3. Acquisition of Site	444,768
4. Preparation of Site	0
5. Construction Cost	373,300
6. Contingency Fund 7.5%	28,000
7. Fixed Equipment (Not included in Construction Contract)	0
8. Moveable Equipment (List all equipment over \$50,000)	245,000
9. Other (Specify) _____	0
Sec. A = \$1,226,068	

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	0
2. Building only	0
3. Land only	0
4. Equipment (Specify) _____	0
5. Other (Specify) _____	0

C. Financing Costs and Fees:

1. Interim Financing*	17,924
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify) _____	0

D. Estimated Project Cost (A+B+C)

1,243,992

E. CON Filing Fee

3,000

F. Total Estimated Project Cost (D+E)

TOTAL \$ 1,246,992

Actual Capital Cost 1,246,992
Section B FMV 0

*Sec. A + E = \$1,229,068

\$1,229,068 X .5 X 5% X 7/12 yr = \$17,924

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

 x **A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

 B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

 C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

 D. Grants--Notification of Intent form for grant application or notice of grant award;

 E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

 F. Other--Identify and document funding from all sources.

The applicant anticipates funding 100% of the estimated capital costs with a loan from First Citizens Bank of Johnson City. Documentation of financing is provided in Attachment C, Economic Feasibility--2.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

The estimated \$373,300 construction cost for the project is \$103.15 PSF, all of which is build-out of a constructed shell space. The project requires no new construction.

The 2009-2011 surgery center construction projects approved by the HSDA showed the average construction costs per SF that are listed in Table Two below. At an overall cost of \$103.15 PSF, the Reeves Eye Surgery Center project is in the median range of other approved projects.

Table Two: Ambulatory Surgical Treatment Center Construction Cost PSF Years: 2009 – 2011			
	Renovated Construction	New Construction	Total Construction
1 st Quartile	\$40.09/sq ft	\$200.00/sq ft	\$54.06/sq ft
Median	\$100.47/sq ft	\$252.74/sq ft	\$134.57/sq ft
3 rd Quartile	\$195.00/sq ft	\$371.75/sq ft	\$252.74/sq ft

Source: HSDA, 1-10-11 CON approved applications for years 2009 through 2011

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for the Projected Data Chart, with notes. This is a proposed facility with no historic income and expense data to report.

PROJECTED DATA CHART -- BOONES CREEK EYE SURGERY CENTER

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in JANUARY.

		YR 1-2014	YR 2-2015
A.	Utilization Data (cases/procedures)	1,030/1,100	1,061/1133
B.	Revenue from Services to Patients		
1.	Inpatient Services	\$ 0	\$ 0
2.	Outpatient Services	1,899,485	1,985,815
3.	Emergency Services	0	0
4.	Other Operating Revenue (Specify)	0	0
	Gross Operating Revenue	\$ 1,899,485	\$ 1,985,815
C.	Deductions for Operating Revenue		
1.	Contractual Adjustments	\$ 1,044,718	\$ 1,092,199
2.	Provision for Charity Care 3% of GR	56,984	59,574
3.	Provisions for Bad Debt 2% of GR	37,989	39,716
	Total Deductions	\$ 1,139,691	\$ 1,191,489
	NET OPERATING REVENUE	\$ 759,794	\$ 794,326
D.	Operating Expenses		
1.	Salaries and Wages	\$ 87,344	\$ 89,964
2.	Physicians Salaries and Wages	0	0
3.	Supplies	133,097	137,089
4.	Taxes	12,320	12,690
5.	Depreciation	141,394	141,394
6.	Rent	0	0
7.	Interest, other than Capital	0	0
8.	Management Fees	0	0
	a. Fees to Affiliates	0	0
	b. Fees to Non-Affiliates	0	0
9.	Other Expenses (Specify) <small>See notes</small>	100,733	0
	Total Operating Expenses	\$ 474,888	\$ 381,137
E.	Other Revenue (Expenses) -- Net (Specify)	\$ 0	\$
	NET OPERATING INCOME (LOSS)	\$ 284,906	\$ 413,189
F.	Capital Expenditures (rounded amounts from amort. Table)		
1.	Retirement of Principal	\$ 35,184	\$ 39,589
2.	Interest	63,105	58,699
	Total Capital Expenditures	\$ 98,289	\$ 98,288
	NET OPERATING INCOME (LOSS)		
	LESS CAPITAL EXPENDITURES	\$ 186,617	\$ 314,901

OTHER EXPENSES, LINE D.9

<u>CATEGORY</u>	<u>2014</u>	<u>2015</u>
Utilities	\$ 7,725	\$ 7,957
Telephone	3,605	3,713
Repairs & Maintenance	4,944	5,092
Office Supplies	6,180	6,365
Insurance	9,270	9,548
Legal & Accounting	4,120	4,244
Employee Benefits	17,469	17,993
Linens	5,213	5,369
Medical Gas	3,862	3,978
Other Misc. Expenses	<u>38,345</u>	<u>39,495</u>
TOTAL	\$100,733	\$103,754

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Twelve: Average Charges, Deductions, and Net Charges Reeves Eye Surgery Center		
	CY2014	CY2015
Surgical Procedures	1,100	1,133
Surgical Cases	1,030	1,061
Average Gross Charge Per Procedure	\$1,727	\$1,753
Average Gross Charge Per Case	\$1,844	\$1,872
Average Deduction Per Procedure	\$1,036	\$1,052
Average Deduction Per Case	\$1,107	\$1,123
Average Net Charge (Net Operating Revenue) Per Procedure	\$691	\$701
Average Net Charge (Net Operating Revenue) Per Case	\$737	\$749
Average Net Operating Income Per Procedure After Capital Expenditures	\$170	\$278
Average Net Operating Income Per Case After Capital Expenditures	\$181	\$297

Source: Projected Data Chart

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

See C(II)6.B below for Table Thirteen, a schedule of the facility's most frequent charges. See the Projected Data Chart for anticipated project revenues. This is a proposed facility so there is not an existing charge schedule to be impacted.

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

The projected average gross charge for this project is comparable to the average gross charges for similar projects in the area. Table Thirteen below shows gross charges per procedure as reported in the 2011 Joint Annual Reports of the three dedicated eye surgery centers in the primary service area.

Table Thirteen: Comparative Gross Charges Per Procedure in the Service Area	
Provider	Average Charge Per Procedure
Mountain Empire Cataract & Eye Surgery Center Bristol, Sullivan County	\$1,403 (in CY2011)
Regional Eye Surgery Center Kingsport, Sullivan County	\$1,204 (in CY2011)
Johnson City Eye Surgery Center Johnson City, Washington County	\$2,671 (in CY2011)
Reeves Eye Surgery Center (PROPOSED) Johnson City, Washington County	\$1,727 (proposed for CY2014)

Source: Joint Annual Reports, 2011; Projected Data Chart, this application.

Table Fourteen on the following page shows the most frequent procedures to be performed, with their current Medicare reimbursement, and their projected Years One and Two utilization and average gross charges.

Table Fourteen: Charge Data for Most Frequent Procedures Reeves Eye Surgery Center									
CPT or DRG	Descriptor	Current Medicare Allowable	Average Gross Charge			Utilization (Treatments)			
			Current	Year 1	Year 2	Current	Year 1	Year 2	
65103	remove eye	\$1,449		\$3,623	\$3,659		4	4	
65775	correction of astigmatism	\$597		\$1,993	\$1,508		5	5	
65780	ocular surface reconstruction	\$1,361		\$3,403	\$3,437		6	6	
66986	exch. Lens prosthesis	\$850		\$2,125	\$2,146		8	8	
67400	explor. biopsy of socket	\$719		\$1,797	\$1,815		12	12	
65930	remove blood clot from eye	\$895		\$2,238	\$2,260		17	18	
67415	aspiration of orb content	\$719		\$1,797	\$1,815		13	13	
66150	glaucoma surgery	\$895		\$2,238	\$2,260		9	9	
66821	YAG laser	\$197		\$493	\$498		110	113	
66982	IOL removal w. insertion	\$850		\$2,125	\$2,146		3	3	
66984	remove cataract, insert lens	\$850		\$2,125	\$2,146		500	515	
67227	treatment of retinal lesion	\$806		\$2,015	\$2,035		11	11	
67311	revise eye muscle	\$895		\$2,125	\$2,146		7	7	
67882	revise eyelid	\$719		\$1,798	\$1,816		14	15	
67900	repair brow defect	\$957		\$2,393	\$2,417		15	16	
67971	reconstruction of eyelid	\$719		\$1,798	\$1,816		16	17	
15822	revision of upper lid	\$864		\$2,160	\$2,182		140	144	
	OTHER						210	217	
	Total						1,100	1,133	

Source: Surgery Center Services of America; Dr. D.L. Reeves

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

As shown in the Projected Data Chart above, the anticipated utilization--which is less than the applicant's average utilization at his last location the past two years--will be sufficient to operate with a positive margin, while offering competitive charges and carrying significant TennCare, Medicaid, and charity care commitments.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

The Projected Data Chart shows a positive cash flow in Years One and Two, given that the projected utilization is met.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

Dr. Reeves has served significant numbers of Medicare, Medicaid, TennCare, and underinsured/uninsured patients in his practice. He is estimating a payor mix of 3% charity care and 7% TennCare/Medicaid for this facility. That far exceeds the average (and range) of TennCare effort reported for 2011 by all three other eye surgery facilities in the service area.

In Year One, this project has the following projected revenues from Medicare and Medicaid patients:

	<u>Medicare Program</u>	<u>Medicaid Program</u>
Gross Revenues	\$1,519,588	\$132,964
% of Total Gross Revenues	70%	7%

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

Dr. Reeves has just established a new, solo private practice (Reeves Eye Institute, PLLC.) at the first of CY2012. It is too new to have meaningful income statements and balance sheets. Nonetheless, balance sheets and income statements for both the applicant LLC and Dr. Reeves' practice for YTD CY2012 are provided in Attachment C, Economic Feasibility--10. They document sufficient liquid assets to cover the cost of the CON process.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

A. The applicant is proposing the most reasonable alternative available. Upon leaving his prior group, a non-compete went into effect prohibiting his marketing to referral sources in the Kingsport area, which fortunately was consistent with his intentions to establish a new practice location in the Johnson City area of adjoining Washington County. In Washington County, there are only three surgery centers that offer ophthalmology. One is a private practice facility that has declined to explore his joining that group or using that facility. One is a hospital-based, separately licensed facility several miles east in Johnson City. So Dr. Reeves is temporarily using the third facility, which he found was not adequately equipped for significant numbers of eye surgeries. Needed equipment is leased on days he is there, and he has no control over staffing, equipment, or supplies, or access for some of his prospective patients. His operating room there has only a standard O.R. table, which makes turn-around cleaning time lengthier than it would be if the facility had several "eye surgery tables". (These are O.R. tables designed to elevate a patient's upper body and to provide the surgeon with closer access to the eye. They are mobile, so that patients can be prepared in pre-op and rolled into the O.R. ready for surgery to start.) And most limiting of all, Dr. Reeves productivity has been seriously constrained--both in terms of cases he is allowed to schedule per day (only six per day on many occasions) and in terms of the days per week allocated to his patients (one to two days depending on other surgeons' needs to perform higher-reimbursement cases). In light of these limitations, Dr. Reeves has chosen the most appropriate alternative of financing his own small surgical facility.

B. No new construction is proposed; the entire project will renovate or "build out" condominium office space in a medical office park.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

The applicant will request transfer agreements with both Johnson City Medical Center and Holston Valley Medical Center, where Dr. Reeves has admitting privileges. It is premature to request such agreements prior to CON approval.

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

This has been addressed in B.II.C., Project Need, and in C(I).5, Utilization of Area Facilities. The primary service area demand for eye surgery grew rapidly, by more than 8,600 procedures, from 2009 to 2011. And the primary service area's elderly population (age 65+), which most needs eye surgery, is expected to continue to increase by 7.1% between CY2011 and CY2014 (Year Two of this project). Even if demand for eye surgery services increases by only 5% more by CY2014, that incremental demand of 1,184 procedures will exceed the utilization that Dr. Reeves projects for his facility. So the service area will have sufficient new demand to ensure that his utilization will not come at the expense of other providers as a group.

Of course, his departure from Kingsport's Regional Eye Center medical group and facility at the end of CY2011 did, and will, have a temporary impact on that single facility. However, that impact was inevitable when he moved out of that county and that medical practice. He must now perform his surgeries somewhere in Washington County, where he practices. Denial of this application would not restore any of his cases to his former facility in the adjoining county. Therefore approval of this application cannot have any adverse impact on his former facility--that facility has already lost all his cases.

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

The Department of Labor and Workforce Development website indicates the following annual salary information for clinical employees of the type needed in this facility, for the Upper East Tennessee region.

Table Fifteen: TDOL Surveyed Average Salaries for the Region				
Position	Entry Level	Mean	Median	Experienced
RN	\$31,105	\$41,135	\$40,255	\$46,150

Please see the following page for Table Sixteen, a chart of projected FTE's and salary ranges.

Table Sixteen: Projected Staffing Requirements Reeves Eye Surgery Center			
Position Type (RN, etc.)	Year One FTE's	Year Two FTE's	Salary Range (Annual)
Clinical Manager (Experienced RN)	0.4	0.4	\$70,000-\$80,000
RN	0.4	0.4	\$45,000-\$55,000
Scrub Tech, O.R.	0.4	0.4	\$35,000-\$42,000
Receptionist	0.4	0.4	\$30,000-\$35,000
Business Office	0.2	0.2	\$30,000-\$40,000
Total FTE's	1.8	1.8	

Source: Surgery Center Services of America

C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

The applicant anticipates no difficulty in recruiting the required staffing. In development of this facility, the applicant will be assisted by Surgery Center Services of America, an established development consultant for ambulatory surgical treatment centers specializing in ophthalmology.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

This facility will be too small to offer rotational sites for students in the health professions.

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

The applicant's ASTC will receive the following:

LICENSURE: Board for Licensing Healthcare Facilities
Tennessee Department of Health

CERTIFICATION: Medicare Certification from CMS
TennCare Certification from TDH
Virginia Medicaid

ACCREDITATION: AAAHC

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

Not applicable to a proposed new facility.

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

Not applicable to a new facility.

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

Not applicable. The applicant anticipates completing the project within the period of validity.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

12-19-12

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	0	12/12
2. Construction documents approved by TDH	210	8/13
3. Construction contract signed	210	8/13
4. Building permit secured	215	8/13
5. Site preparation completed	NA	9/13
6. Building construction commenced	230	9/13
7. Construction 40% complete260	260	10/13
8. Construction 80% complete290	290	11/13
9. Construction 100% complete320	320	12/13
10. * Issuance of license340	340	12/13
11. *Initiation of service	345	1/14
12. Final architectural certification of payment	375	3/14
13. Final Project Report Form (HF0055)	405	3/14

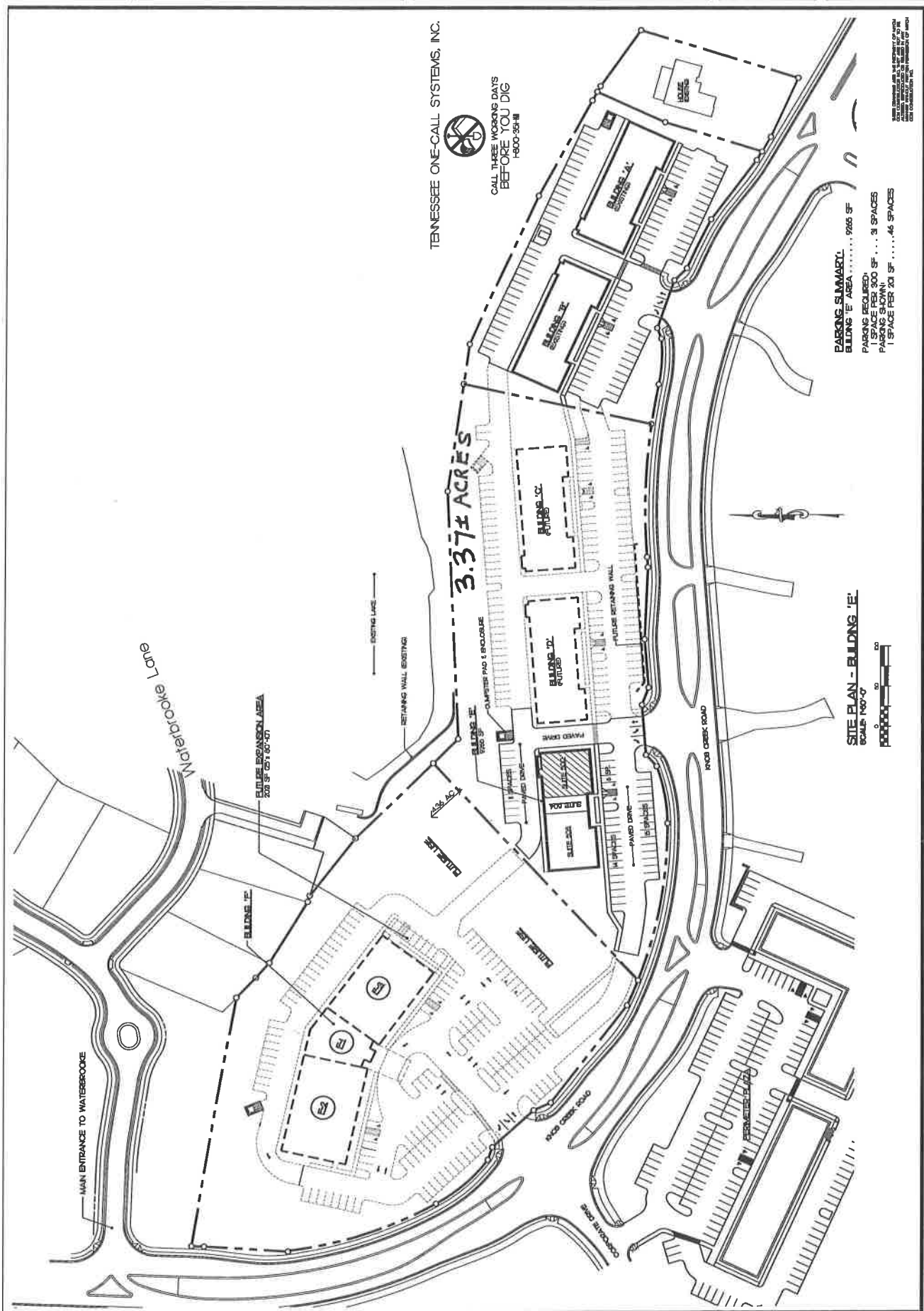
*** For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

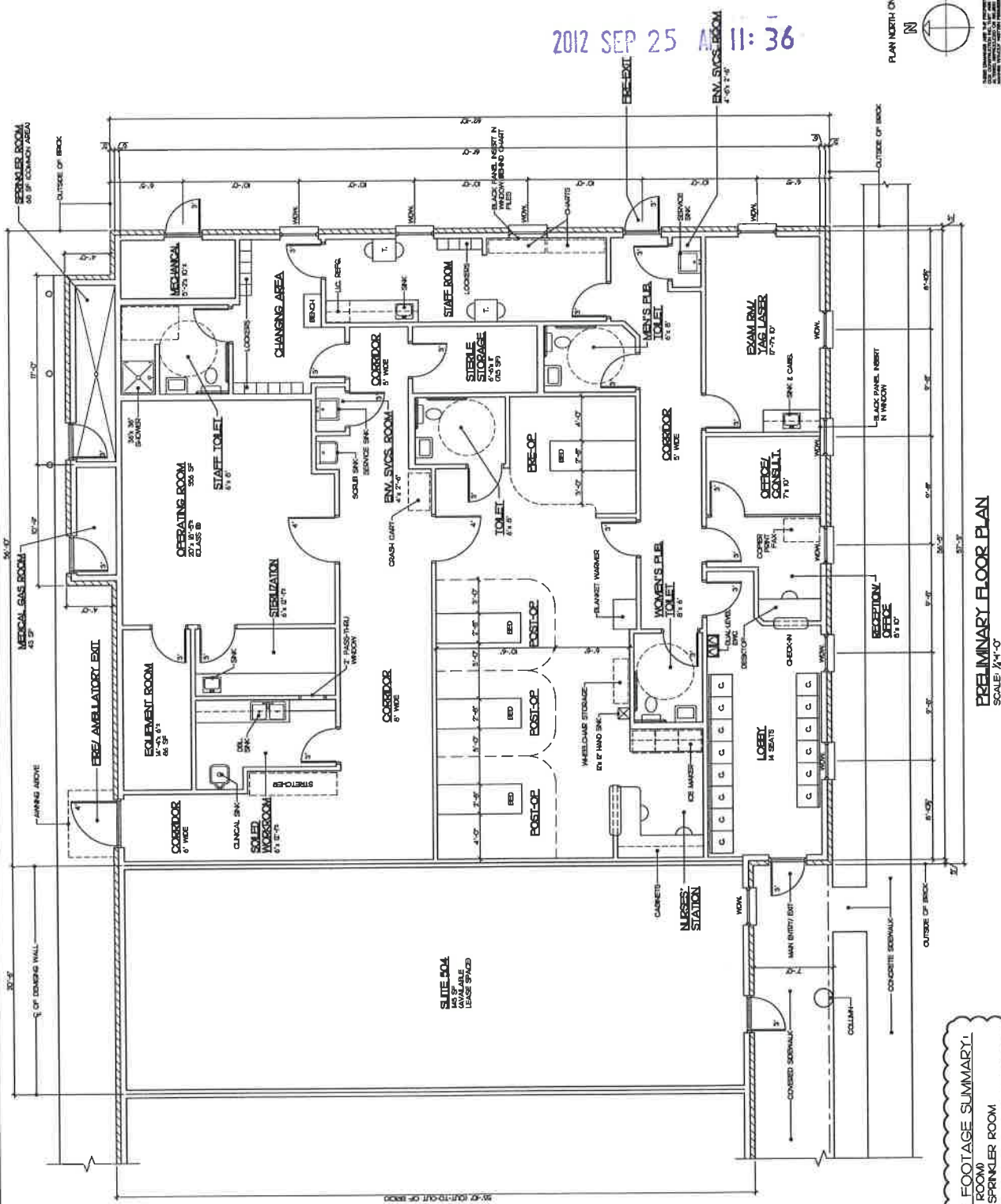
INDEX OF ATTACHMENTS

A.4	Ownership--Legal Entity and Organization Chart (if applicable)	
A.6	Site Control	
B.III.	Plot Plan	
B.IV.	Floor Plan	
C, Need--1.A.3.	Letters of Intent & Qualifications	
C, Need--3	Service Area Maps	
C, Economic Feasibility--1	Documentation of Construction Cost Estimate	
C, Economic Feasibility--2	Documentation of Availability of Funding	
C, Economic Feasibility--10	Financial Statements	
Miscellaneous Information	TennCare Enrollments in the Service Area U.S. Census Income and Poverty Data	

B.III.--Plot Plan



B.IV.--Floor Plan



SURGERY CENTER SQUARE FOOTAGE SUMMARY:
3616 SF (INCLUDES MEDICAL GASES ROOM)
NOTE: DOES NOT INCLUDE SPRINKLER ROOM

Revised



MITCH COX
CONSTRUCTION INC.
801 Sunset Drive, Suite D-1
Johnson City, TN 37604
PHONE 423.282.5903
FAX 423.282.5903
mitchcox.com

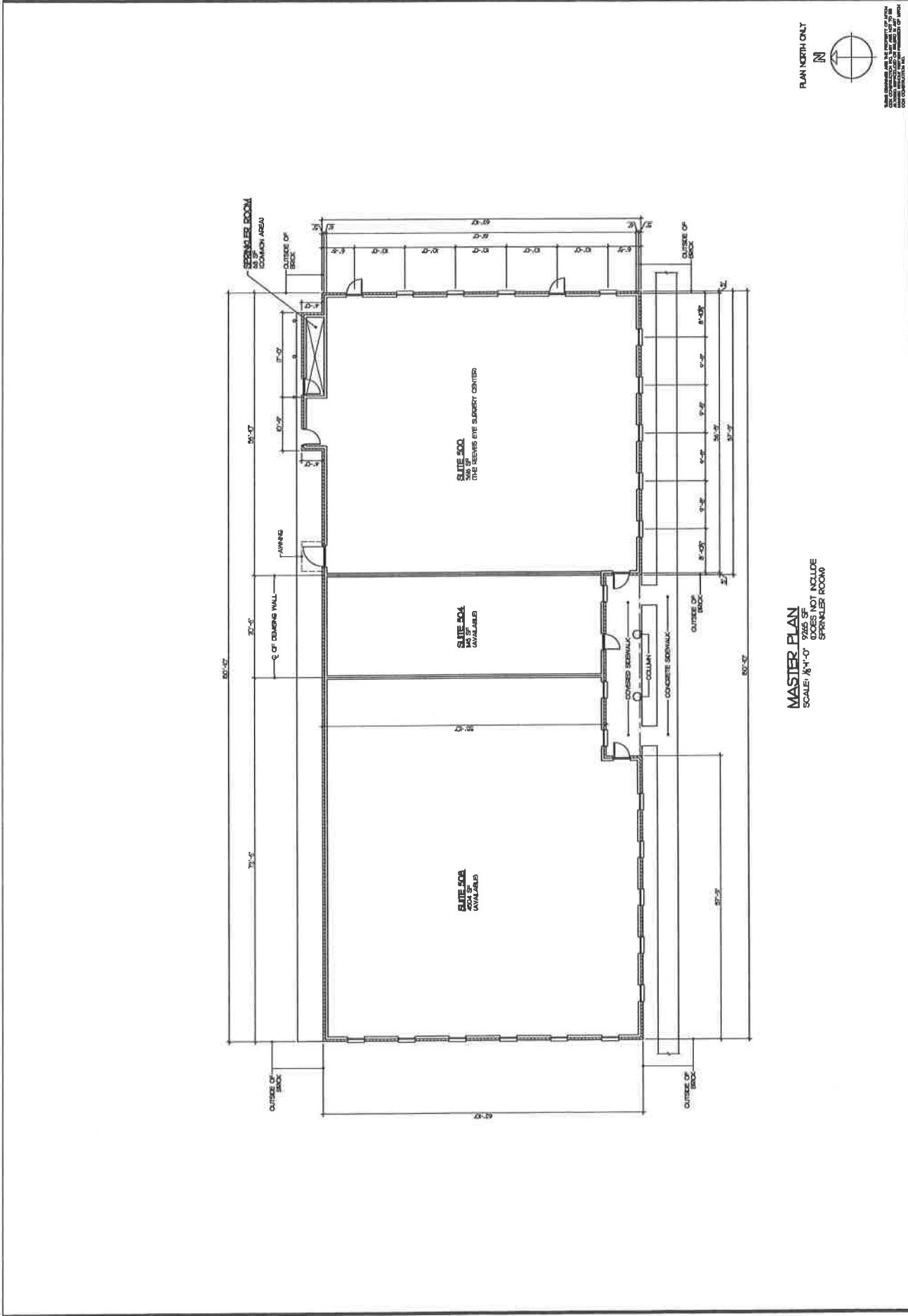
PROJECT: NEW OFFICE COMPLEX KNOWN AS:
WATERBROOKE PROFESSIONAL PARK
PHASE II BLDG. 'E'
2323 KNOB CREEK ROAD
JOHNSON CITY, TN

DATE: AUG 30, '12
JOB NO.
REVISIONS:
AUG 30, '12

DATE: AUG 30, '12
JOB NO.
REVISIONS:
AUG 30, '12

SHEET DESCRIPTION
MASTER PLAN
SHEET NUMBER
MP-1
WATERBROOKE

DATE: AUG 30, '12
JOB NO.
REVISIONS:
AUG 30, '12



MASTER PLAN
SCALE: 1/8" = 1'-0"
DOES NOT INCLUDE
SPRINKLER ROOM

C, Need--1.A.3.e.
Letters of Intent & Qualifications
Facility Protocols and Procedures

**CURRICULUM VITAE
DONNY LUPRICE REEVES, M.D.**

I currently perform high volume cataract surgery with premium IOLs, LASIK, medical retina, oculoplastic surgery, glaucoma, pediatric ophthalmology, and neuro-ophthalmology. My emphasis is on exceeding quality objective outcome benchmarks to achieve outstanding patient satisfaction.

CURRENT POSITIONS

Ophthalmologist, The Reeves Eye Institute
2685 Boones Creek Road, Johnson City TN 37660

Jan 2012-Present

PREVIOUS POSITIONS

Ophthalmologist, The Regional Eye Center

August 2004-Dec 2012

BACKGROUND

Date of Birth: November 24, 1972

Place of Birth: Ogden, Utah

MILITARY SERVICE

US Army Reserve

1995-2005

Active Duty 2004-2005 Afghanistan

Rank: Captain, Honorable Discharge May 2005

EDUCATION

College: University of Weber State University, Ogden, Utah; 1991-1995

BS in Zoology

Medical School: University of Utah School of Medicine, Salt Lake City, Utah; 1996-2000

Internship: Columbia University Affiliate Mary Imogene Bassett Hospital, Cooperstown, NY, 2000-2001

Residency: University of Wisconsin Hospital and Clinics, Madison, WI; 2001-2004
(Chief Resident)

STATE LICENSURE

Tennessee, Texas

HOSPITAL PRIVILEGES

Holston Valley Medical Center, Kingsport TN 8-2004 to present

Indian Path Medical Center, Kingsport TN 8-2004 to Dec 2012

BOARD CERTIFICATION

American Board of Ophthalmology 2005

RESEARCH

Reeves DL, Barney, NP. Neovascularization with Pars Plantis in the Pediatric Population. Poster, *Investigative Ophthalmology and Visual Sciences*, May 2003.

Kumar R, Reeves DL, Olson RL, Wound Complications Associated with Incision Enlargements for Foldable Intraocular Lens Implantation During Cataract Surgery. *J Cataract and Refractive Surgery*. 2001 Feb (2): 224-226

Kumar R, Reeves DL, Broadstein D, Olson RL, Protecting the Retina during MemoryLens Insertion. *J Cataract and Refractive Surgery*. 2000 Dec; 26(12):1819-22

PRESENTATIONS

LASIK Complications, Ophthalmology Grand Rounds, University of Wisconsin Medical School, Madison, WI, 2002

Current Management of Cystoid Macular Edema, Ophthalmology Grand Rounds, University of Wisconsin Medical School, Madison, WI, 2002

Orbital Processes Causing Extraocular Muscle Enlargement, Wisconsin Ophthalmic Plastic and Reconstructive Society Meeting. 2002

Amblyopia and Strabismus – Diagnosis and Management, University of Wisconsin Physician's Assistant School, Madison Wisconsin, 2001, 2002, 2003

Northeast Tennessee Optometric Society – I perform continuing education seminars on an ongoing basis on various eye related topics.

HONORS

2000	Advancement to Captain, US Army Reserve Medical Corps
1999	Honors Family Practice, Obstetrics and Gynecology, and Ophthalmology Research
1999	School of Medicine Community Service Award
1998	Utah's Army Reserve Officer of the Year
1998	Army Commendation Medal
1998	Advancement to 1 st Lieutenant US Army Reserve Medical Service Corps.
1997	General Douglas MacArthur Leadership Award – awarded annually to 24 junior officers Army wide who demonstrated outstanding leadership in a company-level position
1997, 1998	Columbia Health Care Scholarship
1996	Graduate US Army Officer's Basic Course, Medical Logistics Management Course, Ft. Sam Houston, TX
1994	Utah State Legislature Scholarship
1994	Graduate–top 15% ROTC Advanced Leadership Development Course, Ft. Lewis, WA
1994	Graduate – US Army Airborne School
1992	3-year National ROTC Scholarship
1992	Graduate – US Army Air Assault School

PROFESSIONAL MEMBERSHIPS

American Academy of Ophthalmology

CONSULTING

Alcon Laboratories
Allergan, Speakers Bureau
Bausch and Lomb
Abbott Medical Optics, Investigator

PERSONAL INTERESTS

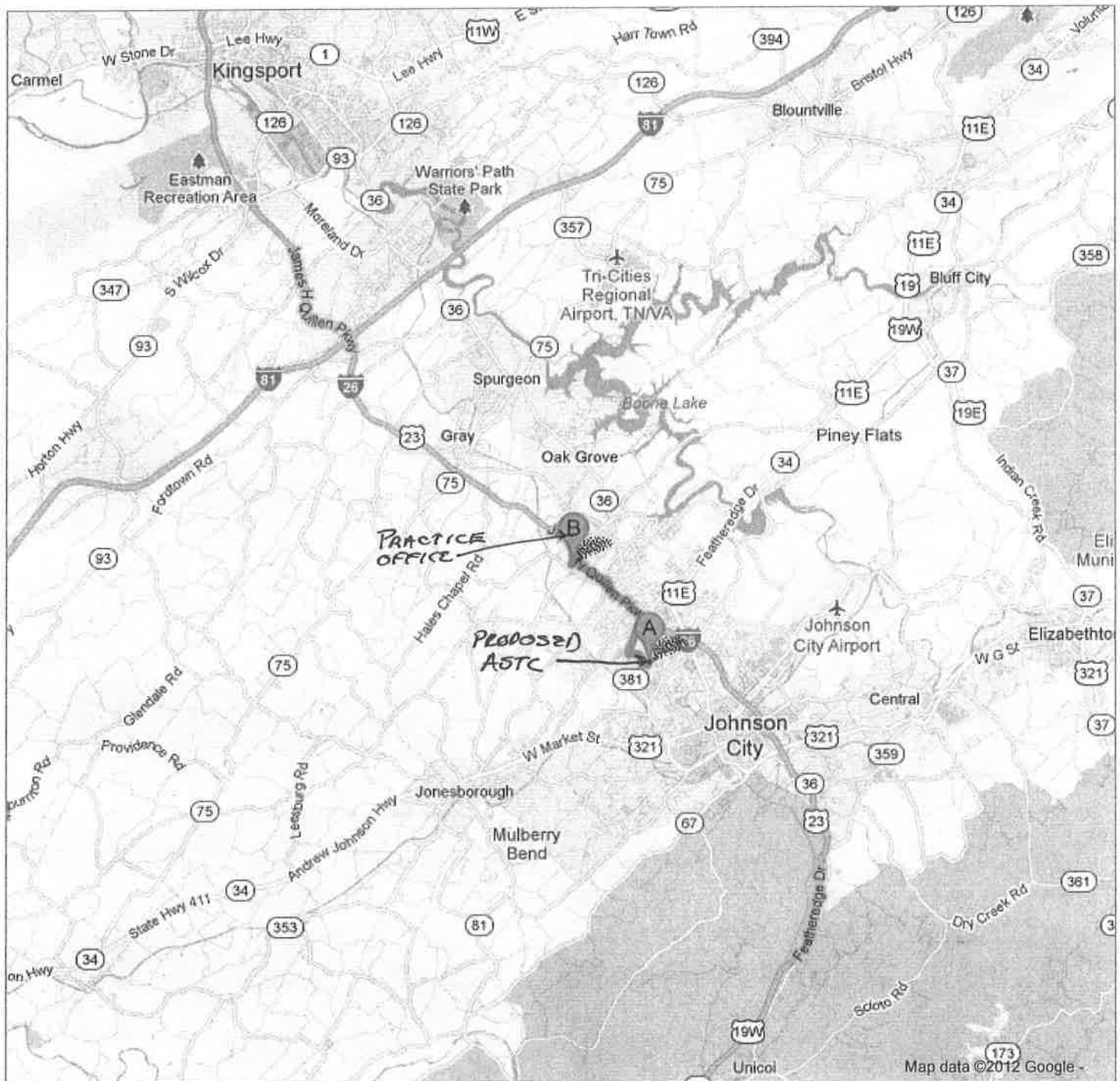
Running, weightlifting, wakeboarding, fishing, and playing with my family

donnyreeves@reeveseyeinstitute.com
423-677-7800

C, Need--3
Service Area Maps

Google

To see all the details that are visible on the screen, use the "Print" link next to the map.



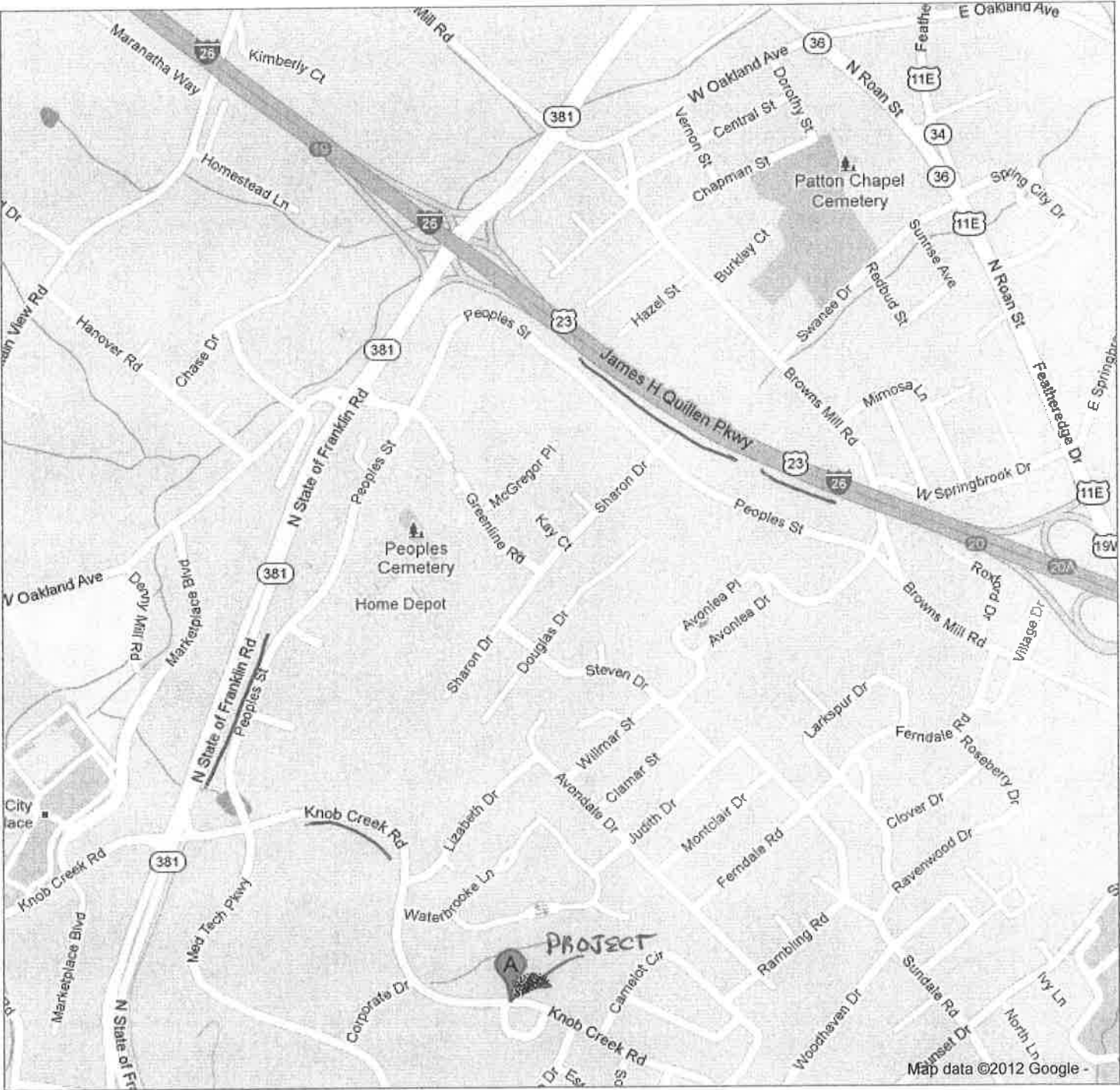
Driving directions to 2685 Boones Creek Rd, Johnson City, TN 37615

2328 Knob Creek Rd
Johnson City, TN 37604



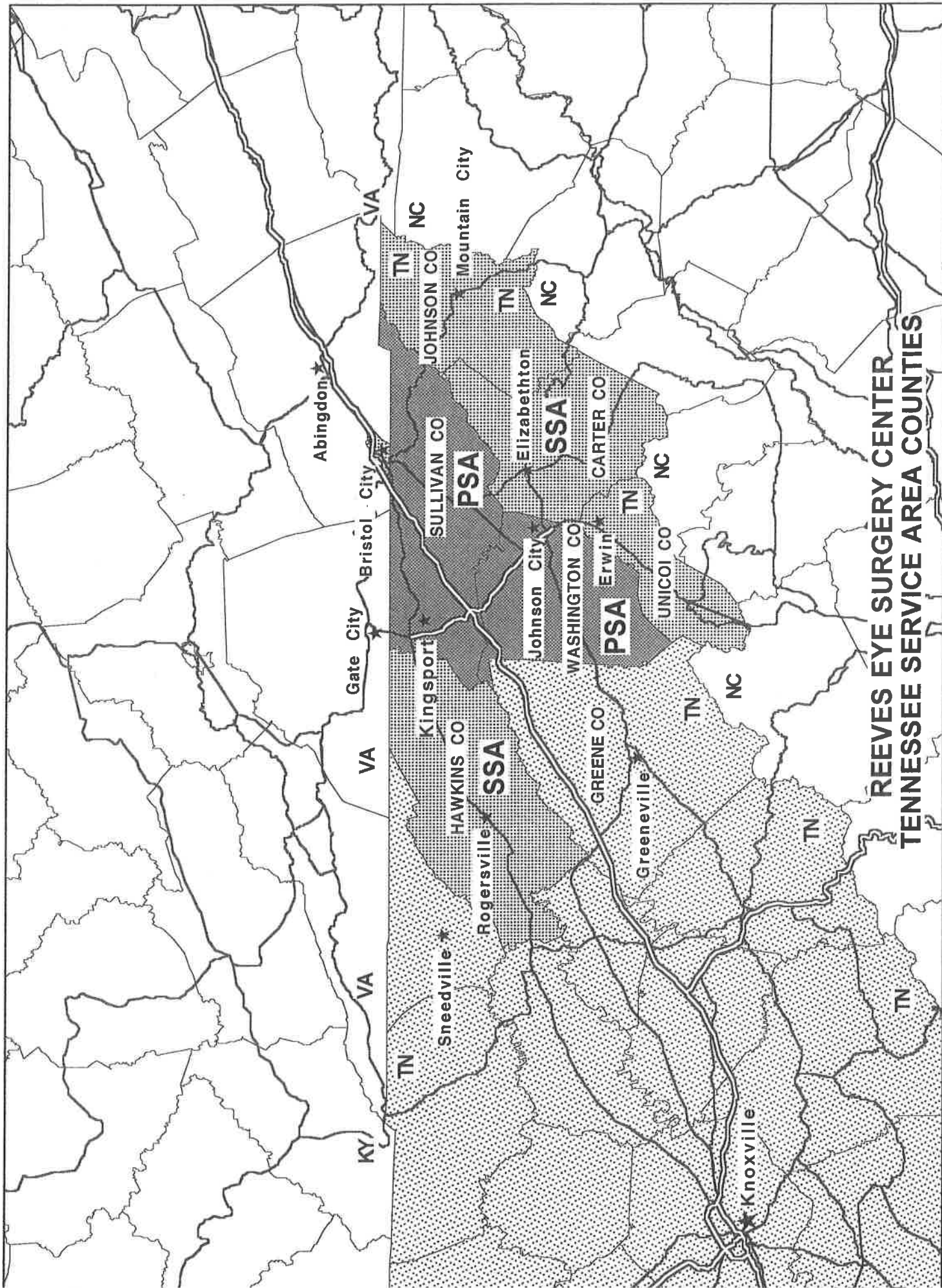


To see all the details that are visible on the screen, use the "Print" link next to the map.

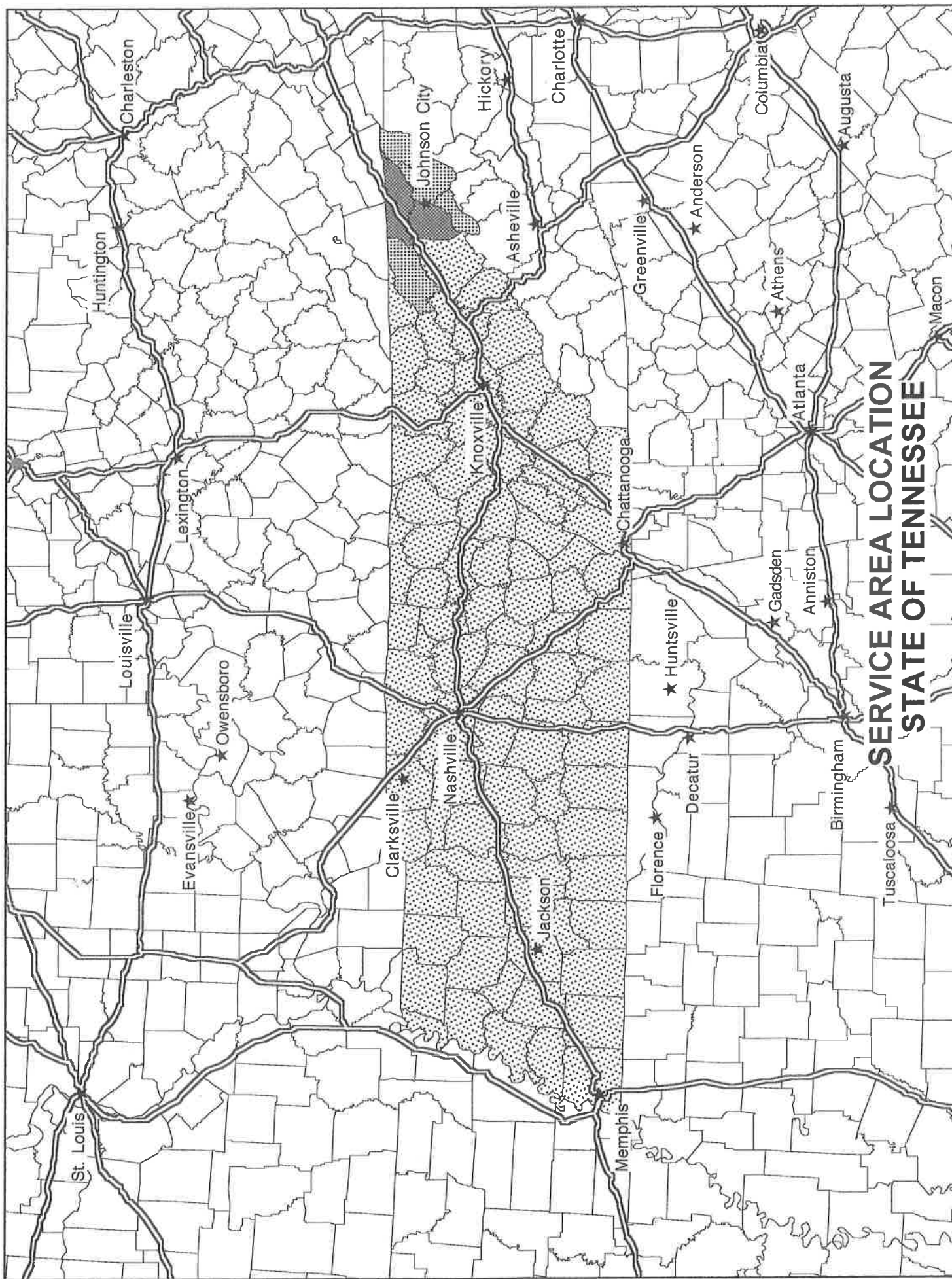


Enter location or right-click on map

Map data ©2012 Google



**REEVES EYE SURGERY CENTER
TENNESSEE SERVICE AREA COUNTIES**



**SERVICE AREA LOCATION
STATE OF TENNESSEE**

C, Economic Feasibility--1
Documentation of Construction Cost Estimate



MITCH COX
COMPANIES

August 31, 2012

Ms. Melanie Hill

Executive Director

Tennessee Health Services and Development Agency

8th Floor-Andrew Jackson Building

Nashville, TN 37291

Re: The Reeves Eye Surgery Center

Johnson City, Tennessee

Dear Ms. Hill:

Mitch Cox Construction Company has prepared a construction cost estimate of three hundred seventy-three thousand & three hundred dollars (\$373,300). Based on our experience in the health care industry we feel this estimate is appropriate for this project.

The building codes that the Tennessee Department of Health will be enforcing are as follows.

- 2006 International Building Codes (Bldg., Mechanical, Gas, Etc.)
- 2006 National Fire Protection Association Codes (including Life Safety Code)
- 2010 Guidelines for Design and Construction of Health Care Facilities.
- 2002 North Carolina Accessibility Code with 2004 amendments.
- Rules of Tennessee Dept. of Health Board for Licensing Health Care Facilities.
- National Electric Code
- Americans with Disabilities Act (ADA)

This listing is not entirely inclusive, but the intent is for all applicable codes and standards, State and local, to be addressed during the design process. The codes in effect at the time of submittal of plans and specifications shall be the codes to be used throughout the project.

Sincerely,

Michael J Cannon

Architect

O 423.282.6582
F 423.282.5903
www.mitchcox.com

801 Sunset Drive, Suite D-1
Johnson City, TN 37604

C, Economic Feasibility--2
Documentation of Availability of Funding

September 20, 2012

Melanie M. Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, TN 37243

RE: Reeves Eye Surgery Center, Johnson City

Dear Mrs. Hill:

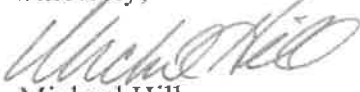
This letter is to provide assurance that First Citizens Bank is familiar with the Eye Surgery Center project which is being proposed by Dr. Donny Reeves in Johnson City, TN. The new site location is Waterbrooke Professional Park Phase II, Building E unit 500 with the physical address of 2328 Knob Creek Road Suite 500, Johnson City, TN 37604.

Upon submittal and approval of a formal financing application, we would expect to be able to provide both construction and permanent financing for this project. We understand that the permanent financing required would total approximately \$1,247,000.

The loan package on this project would of course reflect market conditions at the time of loan approval. Currently we would expect to finance this type of project at an interest rate of approximately 4.85% for a term of 10 years. Attached is an amortization schedule reflecting that estimate.

We look forward to helping with the financing of this project.

Sincerely,



Michael Hill
Market Executive



**First Citizens
Bank**

AMORTIZATION SCHEDULE

Loan Amount	Interest Rate	Term in Months	Number of Payments	Payment Type	Payment Frequency
\$ 1,247,000.00	4.850	120	120	Balloon	Monthly
Disbursement Date	First Payment Date	Maturity Date	Pre-Paid Finance Fees	Other Fees	
09/05/2012	10/20/2012	09/20/2022	\$ 0.00	\$ 0.00	

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	10/20/2012	\$8,190.69	\$7,559.94	\$630.75	\$1,246,369.25
2	11/20/2012	\$8,190.69	\$5,205.32	\$2,985.37	\$1,243,383.88
3	12/20/2012	\$8,190.69	\$5,025.34	\$3,165.35	\$1,240,218.53
2012					
TOTALS :		\$24,572.07	\$17,790.60	\$6,781.47	
4	01/20/2013	\$8,190.69	\$5,179.63	\$3,011.06	\$1,237,207.47
5	02/20/2013	\$8,190.69	\$5,167.06	\$3,023.63	\$1,234,183.84
6	03/20/2013	\$8,190.69	\$4,655.62	\$3,535.07	\$1,230,648.77
7	04/20/2013	\$8,190.69	\$5,139.67	\$3,051.02	\$1,227,597.75
8	05/20/2013	\$8,190.69	\$4,961.54	\$3,229.15	\$1,224,368.60
9	06/20/2013	\$8,190.69	\$5,113.44	\$3,077.25	\$1,221,291.35
10	07/20/2013	\$8,190.69	\$4,936.05	\$3,254.64	\$1,218,036.71
11	08/20/2013	\$8,190.69	\$5,086.99	\$3,103.70	\$1,214,933.01
12	09/20/2013	\$8,190.69	\$5,074.03	\$3,116.66	\$1,211,816.35
13	10/20/2013	\$8,190.69	\$4,897.76	\$3,292.93	\$1,208,523.42
14	11/20/2013	\$8,190.69	\$5,047.26	\$3,143.43	\$1,205,379.99
15	12/20/2013	\$8,190.69	\$4,871.74	\$3,318.95	\$1,202,061.04
2013					
TOTALS :		\$98,288.28	\$60,130.79	\$38,157.49	
16	01/20/2014	\$8,190.69	\$5,020.27	\$3,170.42	\$1,198,890.62
17	02/20/2014	\$8,190.69	\$5,007.03	\$3,183.66	\$1,195,706.96
18	03/20/2014	\$8,190.69	\$4,510.47	\$3,680.22	\$1,192,026.74
19	04/20/2014	\$8,190.69	\$4,978.37	\$3,212.32	\$1,188,814.42
20	05/20/2014	\$8,190.69	\$4,804.79	\$3,385.90	\$1,185,428.52
21	06/20/2014	\$8,190.69	\$4,950.81	\$3,239.88	\$1,182,188.64
22	07/20/2014	\$8,190.69	\$4,778.01	\$3,412.68	\$1,178,775.96
23	08/20/2014	\$8,190.69	\$4,923.03	\$3,267.66	\$1,175,508.30
24	09/20/2014	\$8,190.69	\$4,909.38	\$3,281.31	\$1,172,226.99
25	10/20/2014	\$8,190.69	\$4,737.75	\$3,452.94	\$1,168,774.05
26	11/20/2014	\$8,190.69	\$4,881.25	\$3,309.44	\$1,165,464.61
27	12/20/2014	\$8,190.69	\$4,710.42	\$3,480.27	\$1,161,984.34
2014					
TOTALS :		\$98,288.28	\$58,211.58	\$40,076.70	

C, Economic Feasibility--10
Financial Statements

The Reeves Eye Surgery Center, LLC

Profit & Loss

January-August 2012

	Total	
Income		
Fees Billed		0.00
Refunds-Allowances		0.00
Services		0.00
Total Income	\$	0.00
Expenses		
Advertising		0.00
Bank Charges		0.00
Charitable Contributions		0.00
CONTRACT LABOR		0.00
Dues & Subscriptions		0.00
Insurance		0.00
Insurance - Liability		0.00
Insurance - Malpractice		0.00
Insurance- Health & Dental		0.00
IT Equipment		0.00
IT Support		0.00
Legal & Professional Fees		0.00
License Expense		0.00
Meals and Entertainment		0.00
Office Expenses		0.00
Payroll Expenses		
Taxes		0.00
Wages		0.00
Total Payroll Expenses	\$	0.00
Promotional		0.00
Refernce Materoals		0.00
Reimbursements		0.00
Rent or Lease		0.00
Software		0.00
Stationery & Printing		0.00
Supplies		0.00
Travel		
Travel Fuel		0.00
Total Travel	\$	0.00
Uncategorized Expense		0.00
Utilities		0.00
Total Expenses	\$	0.00
Net Operating Income	\$	0.00
Other Expenses		
		0.00
Total Other Expenses	\$	0.00
Net Other Income	\$	0.00

Net Income

\$

0.00

Monday, Apr 23, 2012 03:11:10 PM GMT-4 - Cash Basis (Unaudited)

The Reeves Eye Surgery Center, LLC

Balance Sheet As of August 31, 2012

2012 SEP 13 PM 2 08

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
Reeves Eye Surgery Center, PLLC	30,000.00
Total Bank Accounts	<u>\$ 30,000.00</u>
Other Current Assets	
Patient Receivables	0.00
Total Other Current Assets	<u>\$ 0.00</u>
Total Current Assets	
Fixed Assets	0.00
Buildings	0.00
Leasehold Improvements	0.00
Office and Medical Equipment	0.00
Total Fixed Assets	<u>\$ 0.00</u>
TOTAL ASSETS	\$ 30,000.00
LIABILITIES AND EQUITY	
Liabilities	0.00
Current Liabilities	0.00
Total Payroll Liabilities	<u>\$ 0.00</u>
Total Other Current Liabilities	<u>\$ 0.00</u>
Total Current Liabilities	<u>\$ 0.00</u>
Total Liabilities	<u>\$ 0.00</u>
Equity	
Net Income	0.00
Total Equity	<u>\$ 30,000.00</u>
TOTAL LIABILITIES AND EQUITY	\$ 30,000.00

Monday, Apr 23, 2012 03:07:45 PM GMT-4 - Cash Basis (Unaudited)

The Reeves Eye Institute

Profit & Loss

August 2012

	Total
Income	
Fees Billed	83,587.17
Services	14,267.95
Total Income	\$97,855.12
Expenses	
Advertising	4,307.00
Bank Charges	326.00
Insurance - Malpractice	806.50
Insurance- Health & Dental	1,330.29
IT Support	1,811.55
Legal & Professional Fees	720.00
Office Expenses	2,183.77
Payroll Expenses	
Taxes	2,167.43
Wages	23,396.81
Total Payroll Expenses	25,564.24
Rent or Lease	8,748.40
Repair & Maintenance	103.17
Software	62.50
Supplies	800.31
Utilities	2,512.71
Total Expenses	\$49,276.44
Net Operating Income	\$48,578.68
Other Expenses	
Depreciation	3,940.05
Total Other Expenses	\$3,940.05
Net Other Income	\$ -3,940.05
Net Income	\$44,638.63

Friday, Sep 07, 2012 08:37:10 PM GMT-4 - Cash Basis

This report was created using QuickBooks Online Plus.

The Reeves Eye Institute

Balance Sheet

As of August 31, 2012

	Total
ASSETS	
Current Assets	
Bank Accounts	
Eye Inst of TN- Checking	0.00
Eye Institute of TN Depository Account	100.00
REI Depository	20,193.81
REI-Checking	21,570.56
Suntrust Total Business Banking	12,978.58
Total Bank Accounts	<u>\$54,842.95</u>
Other Current Assets	
Uncategorized Asset	0.00
Total Other Current Assets	<u>\$0.00</u>
Total Current Assets	<u>\$54,842.95</u>
Fixed Assets	
Accumulated Depreciation	-31,520.40
Leasehold Improvements	1,702.35
Office and Medical Equipment	241,100.46
Total Fixed Assets	<u>\$211,282.41</u>
TOTAL ASSETS	<u><u>\$266,125.36</u></u>
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	-118.02
Total Accounts Payable	<u>\$ -118.02</u>
Credit Cards	
American Express Business Platinum Card	-5,636.87
Chase Marriott Business	-8,096.93
Credit Card	150.00
Old Business Platinum American Express	301.00
Total Credit Cards	<u>\$ -13,282.80</u>
Other Current Liabilities	
Direct Deposit Payable	0.00
LOC Payable - First Citizens Bank	41,365.00
Payroll Liabilities	
AFLAC - Accident	341.40
AFLAC - Cancer	354.10
AFLAC - Life	723.20

AFLAC Short Term Disability	555.60
BCBS of TN	503.80
Federal Taxes (941/944)	4,780.62
Federal Unemployment (940)	326.74
TN Quarterly Taxes	541.62
VA Income Tax	0.00
Total Payroll Liabilities	8,127.08
Total Other Current Liabilities	\$49,492.08
Total Current Liabilities	\$36,091.26
Long-Term Liabilities	
Loan Payable-1st Citizen	250,000.00
Note Payable - Alcon Labs	28,054.80
Note Payable - Marco	2,044.54
Note Payable - Saratoga	8,471.05
Note Payable - US Bank	8,621.97
Total Long-Term Liabilities	\$297,192.36
Total Liabilities	\$333,283.62
Equity	
Member Contributions	95,247.70
Member Distributions	-51,500.00
Opening Balance Equity	-150.00
Retained Earnings	-3,205.69
Net Income	-107,550.27
Total Equity	\$ -67,158.26
TOTAL LIABILITIES AND EQUITY	\$266,125.36

Wednesday, Sep 12, 2012 11:13:24 AM GMT-4 - Cash Basis

This report was created using QuickBooks Online Plus.

SUPPLEMENTAL

September 24, 2012

2012 SEP 25 AM 11:36

Philip M. Wells, FACHE, Health Planner III
Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: CON Application #1209-045
Reeves Eye Surgery Center

Dear Mr. Wells:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. Section B, (Project Description) Item I

The applicant previously filed in April 2012 for a single specialty ASTC, limited to ophthalmology and to the patients of Reeves Eye Institute, CN1204-018. The applicant subsequently withdrew that application in August 2012 due to issues dealing with non-compete issues raised by The Kingsport Ophthalmology ASC, LLC in Kingsport, TN, in which Dr. Reeves was a former owner. Have the issues raised by that ASTC been resolved by locating this proposed ASTC further away from The Kingsport Ophthalmology ASC, LLC?

The applicant believes that this relocation of the proposed site addresses the non-compete issues raised by that medical group. There are two non-compete zones, one for the professional practice (10 miles) and one for the ASTC in which Dr. Reeves previously had an ownership interest (15 miles). The site in the first CON application (now withdrawn) was more than 15 "highway" miles from his former ASTC practice site; but it was not 15 "straight-line" miles away, which is the interpretation that his former practice group claimed. Dr. Reeves does not believe his previous application violated that non-compete, due to the "straight-line" vs. "highway" mileage, as well as other issues. However, rather than litigate the issue, Dr. Reeves has elected to move the ASTC proposed in this new application to a point well beyond the non-compete radius, however that radius is interpreted.

Page Two
September 24, 2012

2. Section B, (Project Description) Item III (Floor Plan)

The floor plan shows the YAG laser procedure room to be 10' X 9'1" which is 90.8 square feet. Does the 2010 AIA Guidelines for Design and Construction of Health Care Facilities permit procedure rooms to be this small? The 2006 AIA Guidelines requires a minimum of 150 square feet for Class A-minor surgical procedure rooms.

The architect has revised the preliminary floor plan to provide a procedure room that conforms to the Class A-minor surgical procedure room requirement that you cite, since it is not possible at this point to obtain clarification from Licensure or a waiver from the Board, for what will be required for a laser procedure room. The new floor plan is attached at the back of this letter. This change does not affect the renovation costs or square footage data; only the drawing needed to be adjusted.

3. Section C. Need Item C(I).5 (Existing Providers)

A) Your response in Table Nine shows the Mileage and Drive Times from the Site of The Reeves Eye Surgery Center to Other Service Area Surgery Centers offering Ophthalmology Services. Please provide a chart showing the Mileage and Drive Times from the Site of The Reeves Eye Institute (Dr. Reeves current practice location) to Other Service Area Surgery Centers offering Ophthalmology Services.

B) Your map displaying Dr. Reeve's practice site and the proposed ASTC site in Attachment C, Need-3 is noted. It would be helpful to also provide the sites of the other Washington County Surgery Centers offering Ophthalmology Services where Dr. Reeves is currently performing his eye surgeries.

Both the requested table and maps of several scale are provided as attachments to this letter.

Since filing the application, the applicant has learned that the Johnson City Medical Center Ambulatory Surgery facility has begun to relocate all its outpatient cases from the 408 Building on the Medical Center campus on State of Franklin Road, into Franklin Woods Community Hospital at 300 Med Tech Parkway. Please see the attached letter from Mountain States Health Alliance, which owns all of the referenced facilities. We understand that the closure of Day Surgery at the main hospital campus is scheduled to be completed by December 3, 2012. The map and drive time table reflect the new address of the facility.

Page Three
September 24, 2012

However, since no CON application for relocation of that surgery center has been filed, it appears that the relocated Day Surgery cases will become hospital-based cases. If that is true, then the service area inventory of dedicated ambulatory surgical room capacity will be reduced by 9 rooms, from 34 to 25. Please note that the 2011 area surgical utilization in Table Eleven-B of the application, if divided by 25 area rooms rather than 34 area rooms, would have shown an average of 911 cases per room. So even if utilization in future years levels off at 2011 caseloads, the area's average cases per room will exceed the CON Guideline of 800 cases or procedures per room.

C) The footnote on Table Ten on page 34 appears to be incorrect. Should it not read Table Ten is identical to Table Five in a previous section? If so, please provide a revised page 34.

Yes. Revised page 34R is attached at the end of this letter.

- 4. Section C. Economic Feasibility Item 1 (Project Cost Chart)**
Please provide a further explanation of the calculation at the bottom left hand area of page 43.

This asterisked footnote shows the interim interest calculation for the \$17,924 of interim interest entered on asterisked line C1. The actual expenditures consist of lines A1-A9 and line E, which total \$1,229,068. The calculation assumes a level drawdown of that amount over a 7-month period, at 5% interest cost. The level drawdown is approximated by the ".5" (indicating an average balance during any loan period); the annual interest rate is the "5%"; and the drawdown time to which the interest applies is "7/12", indicating a construction time of seven months.

- 5. Section C. Economic Feasibility Item 2 (Funding Letter)**
The funding letter from the Bank Executive refers to the wrong address of the project – "Boones Creek". Please provide a revised letter citing the "Knob Creek Road" site.

Thank you; the revised bank financing letter of interest is attached at the end of this letter.


Page Four
September 24, 2012

Additional Information from the Applicant

Attached is a revised page 1R, correcting the phone number in Section A3.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,


John Wellborn
Consultant



Dear JCMC Team Member:

As we continue our journey toward becoming a world-class health care system, we are continually looking for ways to enhance service lines to better serve our patients. Because surgical services are a critical success factor not only for individual MSHA hospitals but also the health system at large, your leadership has been looking for ways to make better use of the high-quality surgical services we offer in Washington County, Tenn.

After a thorough evaluation by many surgeons, administrative staff, and departmental staff, the decision has been made to consolidate same-day surgical services from JCMC into the ORs at Franklin Woods Community Hospital, Niswonger Children's Hospital, and to a lesser degree, the JCMC Main OR's. The main OR at JCMC will begin to focus primarily on high-acuity procedures and complex surgical cases, while many low-acuity and minimally invasive procedures will shift to Franklin Woods, including procedures in general surgery as well as urology, gynecology, gynecologic oncology, ENT and ophthalmology. Because the majority of providers who use robotics will be practicing at Franklin Woods, the robotics service will shift there as well. All pediatric surgeries will begin to be directed to Niswonger Children's Hospital.

All team members currently working in JCMC's same-day surgery unit will have the opportunity to relocate to one of the other surgery centers. Utilization in those other ORs will increase, and additional FTEs will be needed at those locations. The projected utilization breakdown is as follows:

Initial state utilization:

JCMC Main OR: 75.73%
 NsCH OR: 33.98%
 FWCH OR: 45.35%
 JCMC SDS: 48.80%

Final state utilization:

JCMC Main OR: 70%
 NsCH OR: 62%
 FWCH OR: 72%
 JCMC SDS: --

Shifting same-day surgery services to these more appropriate locations will save more than \$1 million annually in operations while improving patient flow and allowing room for future growth in service lines.

(continued)

SUPPLEMENTAL

Construction of the new surgery tower at JCMC will continue on schedule with only minor adjustments. Two of the 16 planned OR suites will be shelled out but not outfitted until volume growth warrants the additional expansion. MSHA leadership strongly believes that the overall project is necessary both from a strategic standpoint and from a patient care standpoint, and we are committed to completing this project as we work to become a nationally recognized surgical center of excellence.

Thank you for your support as we embark on these changes. As always, we welcome your feedback. If you have questions, please call me at 431-1018.

Sincerely,










A handwritten signature in dark ink, appearing to read "David Nicely". The signature is fluid and cursive, with the first name "David" being more prominent than the last name "Nicely".

David Nicely

CEO of Washington County, Tenn., Hospitals

Mountain States Health Alliance

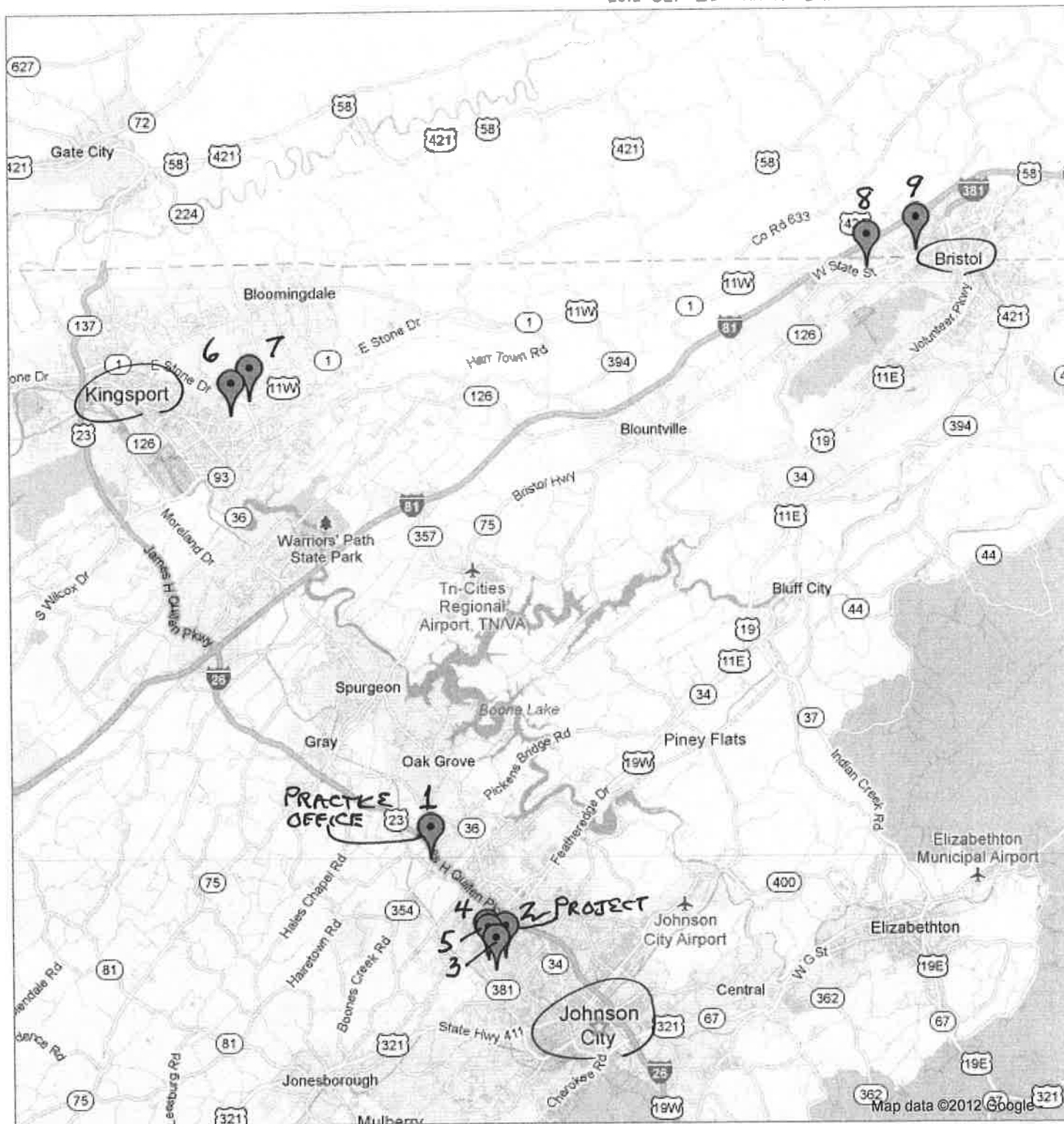
SUPPLEMENTAL

-  PRACTICE OFFICE-1
2685 Boones Creek Road, Johnson City 37615
-  PROJECT SITE--REEVES EYE SURGERY CENTER-2
2328 Knob Creek Road, Johnson City 37604
-  EAST TENN AMBULATORY SURGERY CENTER-3
701 Med Tech Parkway, Johnson City 37604
-  JOHNSON CITY EYE SURGERY CENTER-4
110 Med Tech Parkway, Johnson City 37604
-  JOHNSON CITY MC AMBULATORY SURGERY-5
Franklin Woods Community Hospital
300 Med Tech Parkway, Johnson City 37604
(New location as of 12-3-12)
-  REGIONAL EYE SURGERYCENTER-6
999 Executive Park Blvd, Kingsport 37660
-  KINGSFORT AMBULATORY SURGERY CENTER-7
2204 Pavilion Drive, Kingsport 37660
-  MOUNTAIN EMPIRE CATARACT & SURG. CENTER-8
3185 West State St, Bristol 37620
-  BRISTOL SURGERY CENTER-9
350 Blountville Highway, Bristol 37620

To see all the details that are visible on the screen, use the "Print" link next to the map.

Google

SUPPLEMENTAL
2012 SEP 25 AM 11:38

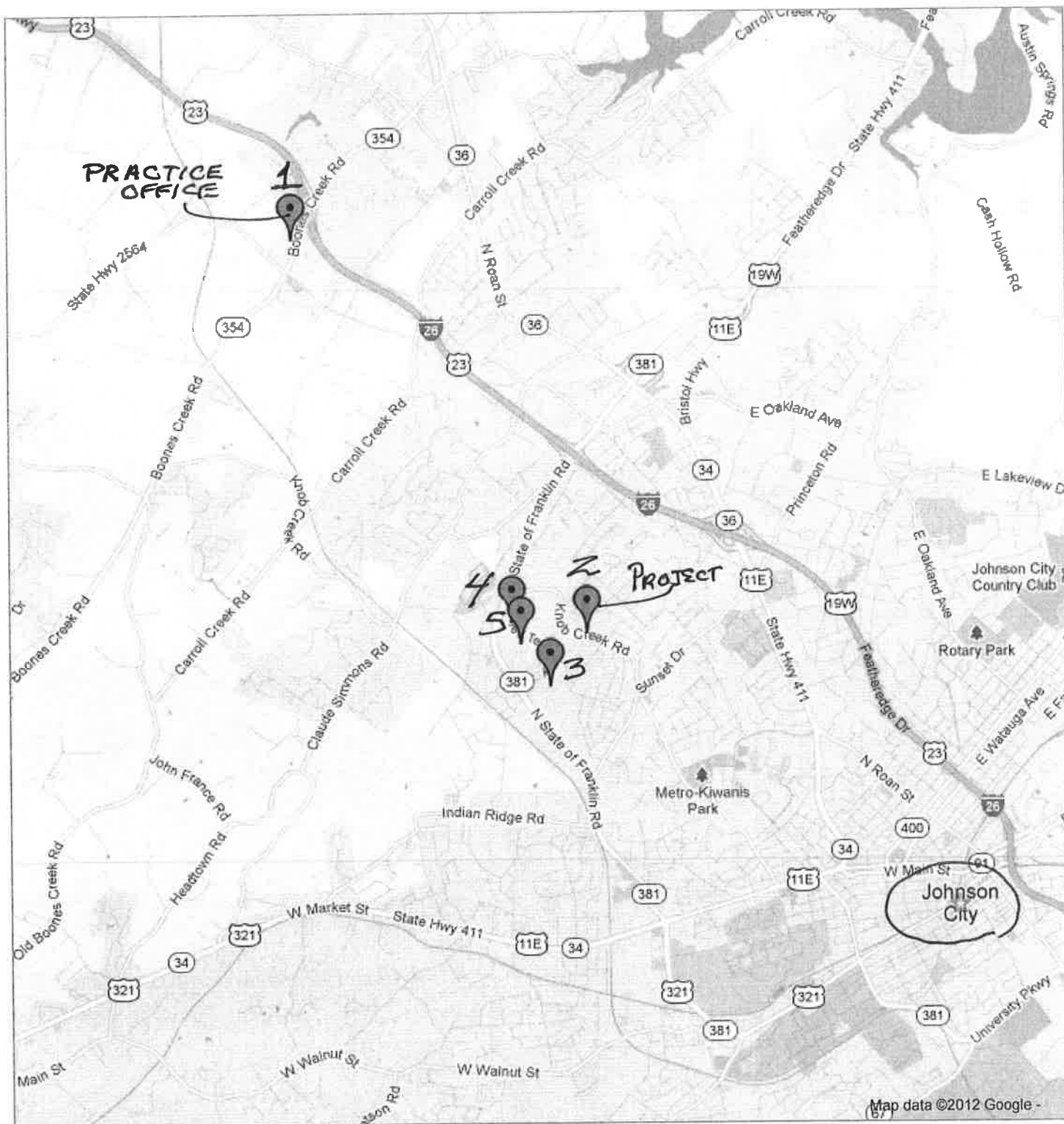


Ambulatory Eye Surgery Sites

Google

To see all the details that are visible on the screen, use the "Print" link next to the map.

SUPPLEMENTAL

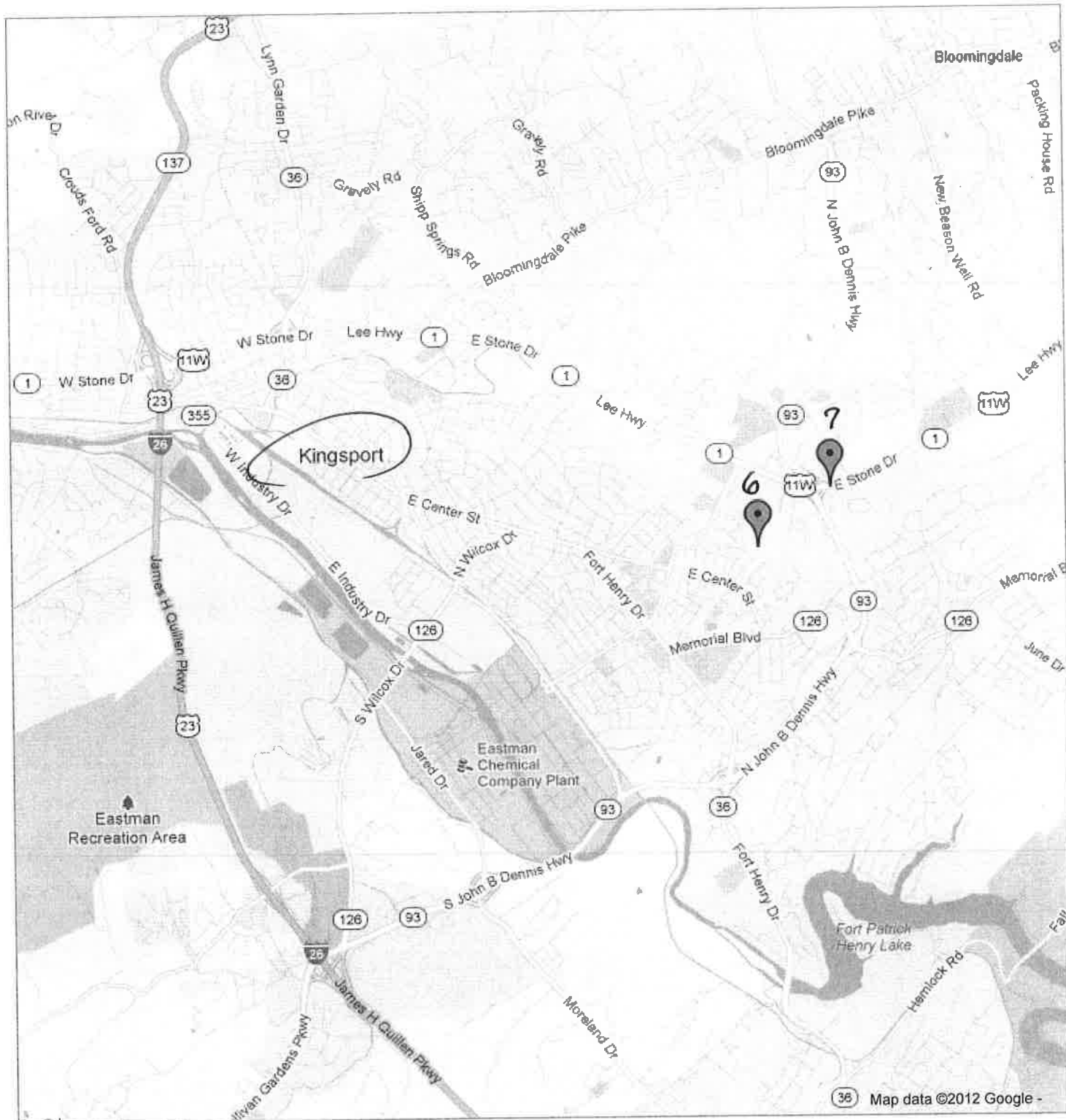


Ambulatory Eye Surgery Sites

Google

To see all the details that are visible on the screen, use the "Print" link next to the map.

SUPPLEMENTAL



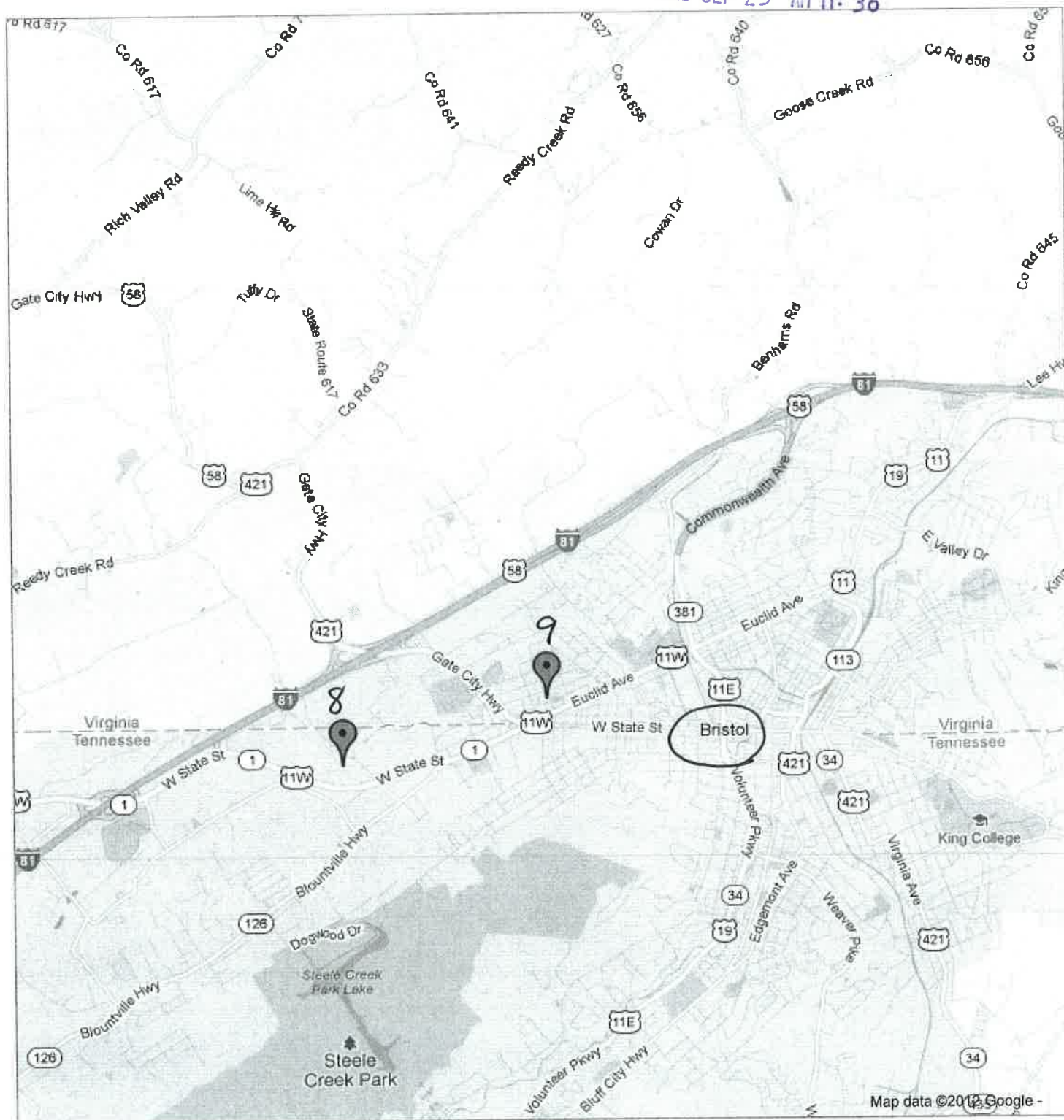
Ambulatory Eye Surgery Sites

Google

To see all the details that are visible on the screen, use the "Print" link next to the map.

SUPPLEMENTAL

2012 SEP 25 AM 11:36



Ambulatory Eye Surgery Sites

**HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
DECEMBER 12, 2012
APPLICATION SUMMARY**

NAME OF PROJECT: Reeves Eye Surgery Center

PROJECT NUMBER: CN1209-045

ADDRESS: 2328 Knob Creek Road, Suite 500
Johnson City, (Washington County), TN 37604

LEGAL OWNER: Reeves Eye Surgery Center, LLC
2685 Boones Creek Road
Johnson City, (Washington County), TN 37615

OPERATING ENTITY: Not Applicable

CONTACT PERSON: John Wellborn
(615) 665-2022

DATE FILED: September 13, 2012

PROJECT COST: \$1,246,992

FINANCING: Commercial Loan

PURPOSE OF REVIEW: Establishment of a single specialty Ambulatory
Surgical Treatment Center (ASTC), limited to
ophthalmology

PROJECT DESCRIPTION:

Reeves Eye Surgery Center, LLC is seeking approval to establish a single specialty ambulatory surgical treatment center (ASTC), limited to ophthalmology procedures performed on the patients of the Reeves Eye Institute, PLLC. Dr. Donny L. Reeves, M.D., a Board-certified ophthalmologist, is the owner of the medical practice and the proposed ASTC and is the only surgeon proposed to use the facility in the immediate future. The proposed ASTC will be housed in 3,616 square feet of build-out constructed shell space located at 2328 Knob Creek Road which is 4.5 miles south of Dr. Reeves' existing practice located at 2685 Boones Creek Road, Suite 102, Johnson City, (Washington County), TN. The

**Reeves Eye Surgery Center
CN1209-045
December 12, 2012
PAGE 1**

single specialty ASTC will contain one sterile Class B operating room (allowing conscious sedation, but not general anesthesia); one YAG laser procedure room; a four (4) station pre-op/holding/post-operative recovery area supervised by a nursing station; an exam room; a reception and waiting area; an office; and other appropriate support areas. (*See floor plan in Attachment B.I.V.*). The ASTC will be staffed initially from 6:30AM to 5:30PM, two days per week (Tuesday and Wednesday). According to the applicant, ophthalmologists must divide their time between seeing patients in their offices (for diagnosis and non-surgical care) and performing surgical procedures at a surgical facility. The proposed ASTC will be staffed by clinical professionals contracted for 40% of their time from Dr. Reeves' adjoining practice office.

Service Specific Criteria and Standard Review

AMBULATORY SURGICAL TREATMENT CENTER

- 1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:**

- a. An operating room is available 250 days per year, 8 hours per day.**

The operating room and procedure room will only be utilized initially two days per week due to Dr. Reeves' need to see patients in his office the remaining three days of the week.

- b. The average time per outpatient surgery case is 60 minutes.**

The applicant indicates the procedures in this project will average 21.7 minutes per case.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.**

The applicant indicates the average turnaround time between cases will be 18.9 minutes in this project.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

The applicant estimates 1.07 procedures per case and projects 1,030 cases (i.e., 1,100 procedures) in the first year and 1,061 cases (i.e., 1,133 procedures) in the second year.

Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

A review of the Joint Annual Reports over the period of the latest three years reveals that all rooms reported in the Joint Annual Reports have been counted in the analysis in this application.

It appears that this criterion has been met.

2. **"Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.**

Washington and Sullivan Counties are identified as the primary service area. 80% of Dr. Reeves' surgical case patients reside in Washington and Sullivan Counties.

It appears that this criterion has been met.

3. **The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.**

The applicant states the majority (i.e., 59%) of patients live within 30 minutes travel time to the proposed site located at Knob Creek Road, Johnson City.

It appears that this criterion has been met.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

The applicant is proposing to build one operating room and one procedure room for a YAG laser within the ASTC and estimates 1.07 procedures per case and projects 1,030 cases (i.e., 1,100 procedures) in the first year and 1,061 cases (i.e., 1,133 procedures) in the second year.

It appears that this criterion has not been met. Due to the procedure room being totally dedicated to YAG laser procedures with 110 cases projected in the first year and 113 laser cases in the second year of operation, the applicant is requesting an exemption (with rationale on page 22) to this criterion.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Services and Development Agency may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

Over the three most recently reported years (2009-2011), the seven ASTCs within the applicant's proposed primary service area have performed at an average of 83.8% of the Guidelines for Growth's ASTC minimum utilization standard of 800 cases/room/year. The single specialty eye ASTCs performed at an average of 142% of the minimum standard, while the multi-specialty ASTCs performed at an average of 69%.

It appears that this criterion has not been met when the measurement is by cases.

6. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

The applicant plans to have one (1) operating room and one (1) procedure room in the ASTC designated for ambulatory surgical and YAC laser services.

It appears that this criterion has been met.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant provides projected utilization for the first eight quarters after project completion on page 22R of the application. On pages 36R-38R of the supplemental response, the applicant provides the methodology for projections which includes current procedures performed by Dr. Reeves.

It appears that this criterion has been met.

8. A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant has selected a service area of Washington and Sullivan Counties. Approximately 80% of the physician's practice patients reside in Washington and Sullivan Counties. The

proposed ASTC patient origin is based on the physician practice patient origin.

It appears that this criterion has been met.

SUMMARY:

Reeves Eye Surgery Center, LLC is being established by Donny Reeves, M.D., as a small, private practice ambulatory eye surgery center located approximately 4.5 miles south from Dr. Reeves' practice private practice center office in Johnson City (Washington County), TN. The proposed project is located in the Waterbrooke Professional Park approximately two miles south of Interstate 26 which connects Johnson City to Kingsport in adjoining Sullivan County. The applicant states the proposed site is approximately twelve minute drive time from Johnson City Medical Center and 24 minute drive time from Holston Valley Medical Center in Kingsport. The only member of Reeves Eye Surgery Center, LLC is Dr. Reeves and he proposes to remain the only surgeon who will be using the proposed ASTC in the immediate future.

Dr. Reeves has practiced within the proposed service area since 2004 and has established a large ophthalmology practice. He recently left a group, Regional Eye Care Center, PC, an ophthalmology practice in adjoining Sullivan County where he had ownership in both the ophthalmology practice as well as an eye surgery center, Regional Eye Surgery Center. According to the applicant, he left the Sullivan County based practice at the beginning of CY 2012 in order to establish an independent office in Johnson City (Washington County). His new Washington County location is closer to Niswonger Children's Hospital, where he expects to cover for the pediatric ophthalmology needs of its regional children's Emergency Department (ED).

The applicant previously filed an application for a single specialty ASTC in April 2012, limited to ophthalmology and to the patients of Reeves Eye Institute (CN1204-018). The applicant explains in the supplemental response the original application was withdrawn in August 2012 due to non-compete issues raised by The Kingsport, TN Ophthalmology ASC, LLC in Kingsport, TN, in which Dr. Reeves held previous ownership. The owner of Regional Eye Surgery Center states there were two non-compete zones, one for the professional practice (10 miles, and one for the surgery center (15 miles). The applicant explained the

Reeves Eye Surgery Center

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site of the first CON application was more than fifteen (15) highway miles from the surgery center but was not fifteen (15) "straight line" miles away as interpreted by Dr. Reeves' former practice. The applicant elected to move the proposed ASTC in this new application to a point well beyond the non-compete radius rather than litigate the issue. The applicant believes that this relocation of the proposed site addresses the non-compete issues previously raised by The Kingsport, TN Ophthalmology ASC.

Dr. Reeves' services include high-volume cataract surgery with premium intraocular lenses; LASIK; medical retina, oculoplastic, and glaucoma procedures; pediatric ophthalmology; and neuro-ophthalmology services. The applicant offers further details of Dr. Reeves training and experience on page 9 of the application.

On pages 5 and 6 of the original application, the applicant cites physician control and productivity, patient convenience, increasing demand for services and Dr. Reeves' ability to continue to provide access to care for low-income patients as justification for approval.

The applicant indicates its primary service area will be Washington and Sullivan Counties from which Dr. Reeves drew 80% of his patients in CY2012 year to date. According to the Department of Health's Division of Health Statistics, the population of the service area counties is estimated to be 273,611 in 2012 and is expected to increase by 1.4% to 277,390 by 2016. The age 50+ proportion of the service area population in 2012 is 104,699 (38.3% of the total population) and is projected to grow by 4.7% to 109,575 in 2016 (39.5% of the total population). Service area residents enrolled in TennCare on June 15, 2012 equal 16.9% of the population, according to the Bureau of TennCare. The statewide enrollment in TennCare is 18.9%

Based on the Joint Annual Reports submitted to the Department of Health, there currently are nineteen ASTCs licensed in Washington and Sullivan Counties, seven of which offer eye surgery services. Four of the surgery centers offering ophthalmology services are multi-specialty ASTCs (two in Washington County and two in Sullivan County) and three are single specialty ophthalmology ASTCs (two in Sullivan County and one in Washington County). According to the three most recently reported Joint Annual Reports (2009-2011), eye surgery cases accounted for an average of 45.5% of all surgeries performed in the seven ASTCs where eye surgeries were a provided service. Amongst the seven ASTCs, the single specialty ophthalmology ASTCs, as a group, have exceeded the

Reeves Eye Surgery Center

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Guidelines for Growth's minimum 800/cases/room/year standard for each of the previous three years, averaging 42.3% above the minimum standard. Individually, one of the single specialty ASTCs is slightly below the 800 annual cases/room standard, while the other two are above the standard. In comparison the multi-specialty ASTCs which provide ophthalmology services averaged 67% of the *Guidelines for Growth's* minimum standard. Overall, the seven ASTCs operated at 83.8% of the *Guidelines for Growth's* minimum utilization standard of 800/cases/room/year. Below are the available capacities and utilization of the ambulatory surgical treatment center operating rooms where eye surgeries have been performed in Washington and Sullivan Counties during the past three years:

Historical Capacity & Utilization of ASTCs Offering Eye Surgery within the Service Area

ASTC	County	Oper. Rms/ Proc. Rms*	2009	2010	2011 (Final)		
			Cases	Cases	Cases	Eye cases % of Total Cases	% of G of G Utilization Standard**
Johnson City Med Ctr Ambulatory Surgery	Washington						
Ophthalmology			573	683	633	15.6%	
Total Outpatient Surgeries		8 / 1 = 9	3,829	4,175	4,064		56.5%
East TN Ambulatory Surgery Ctr	Washington						
Ophthalmology			0	0	6	0.2%	
Total Outpatient Surgeries		4/ 2 = 6	3,560	3,763	3,164		66%
Johnson City Eye Surgery Center	Washington						
Ophthalmology			3,598	4,014	4,046	100%	
Total Outpatient Surgeries		2 / 1 = 3	3,598	4,014	4,046		169%
Mountain Empire Cataract & Eye Surg Ctr	Sullivan						
Ophthalmology			2,368	2,300	2,363	100%	
Total Outpatient Surgeries		2/ 1 = 3	2,368	2,300	2,363		98.5%
Regional Eye Surgery Center	Sullivan						
Ophthalmology			4,541	4,936	2,572	100%	
Total Outpatient Surgeries		2/ 1 = 3	4,541	4,936	2,572		107.2%
Bristol Surgery Center	Sullivan						
Ophthalmology			44	37	33	1.0%	
Total Outpatient Surgeries		4/1 = 5	3,443	2,529	3,174		79.4%
Kingsport Ambulatory Surgery Center	Sullivan						
Ophthalmology			5	135	108	3.2%	
Total Outpatient Surgeries		4/1 = 5	3,313	3,237	3,415		85.4%
Total Service Area		26 / 8 = 34					
Ophthalmology			11,129	12,105	9,761	42.8%	
Total Outpatient Surgeries			24,662	24,954	22,798		83.8%
Cases per OR/PR			725	734	671		

*The area's multi-specialty ASTC operating/procedure room capacity has not changed over the three reported years.

** *Guidelines for Growth* ASTC Utilization Standard = 800 cases per room per year for 2011

Source: Department of Health, Division of Health Statistics, Joint Annual Reports 2009, 2010, 2011 *Final*

Dr. Reeves is currently using the East Tennessee Ambulatory Surgery Center for his outpatient surgical cases. The applicant indicates Dr. Reeves historically has been limited by several factors; lack of on-site equipment for eye procedures, lack of eye surgery tables (lengthening room turnaround time), limited and varying allocation of O.R. time and limits on how many cases can be scheduled during an allocated day. His patients now wait a month to have surgery, and every week he loses the opportunity to serve patients for whom such delays are an issue. The facility management of East Tennessee Ambulatory Surgery Center has been working with Dr. Reeves to address the facility's usage limitations by Dr. Reeves. However, the applicant notes if more profitable cases request time on the O.R. schedule, Dr. Reeves is finding his own time reduced.

The applicant projects that Dr. Reeves will perform 1,100 procedures on 1,030 cases (1.07 procedures/per case) in the first year of operation (2014) in his proposed ASTC and 1,133 procedures on 1,061 cases (1.07 procedures/per case) in year two (2015).

The projected Average Gross Charge per case is \$1,844, with average deductions from revenue reducing the Average Net Revenue collected to \$737 per case. Net operating income less capital expenditures (NOI) of \$186,617 is projected, an amount equal to approximately 10% of gross operating revenue during the first year of operation. NOI is expected to increase to 20% of gross operating revenue on 1,061 cases in the second year of the project, raising its net operating income less capital expenditures to \$314,901.

The applicant proposes to staff the ASTC with 1.8 FTEs (0.4 FTE Clinical Manager (experienced RN), 0.4 FTE RN, 0.4 FTE OR Scrub Tech, 0.4 FTE receptionist, and 0.2 FTE Business Office clerical support).

The government payor mix is expected to be 7% TennCare (or \$132,964) and 70% Medicare (or \$1,519,588) based on gross operating revenue in the first year of the project. The applicant states it intends to contract with three TennCare MCOs: TennCare Select, United Community Health Plan and BlueCare. According to the applicant, Dr. Reeves' practice is currently contracted with these three TennCare MCOs.

The total estimated project cost is \$1,246,992. This sum is composed of \$444,768 in acquisition of the site, \$401,300 in construction costs with contingency, \$245,000 for moveable equipment, \$20,000 in architectural and engineering fees, \$115,000 for legal administrative and consultant fees, \$17,924 in interim financing and \$3,000 for the CON filing fee.

Reeves Eye Surgery Center

CN1209-045

December 12, 2012

PAGE 9

The applicant intends to finance the project through a commercial bank loan from First Citizens Bank of Johnson City, Tennessee. A copy of a letter from the Market Executive of First Citizens Bank, indicating the bank's interest in providing a \$1,247,000 loan to the Reeves Eye Surgery Center is included as Attachment C.2., accompanied by the August 2012 financial statements of the Reeves Eye Surgery Center, LLC and Dr. Reeves practice, the Reeves Eye Institute, PLLC.

The applicant has submitted the required corporate documentation, the real estate purchase agreement and demographic information. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications or outstanding Certificates of Need for other Service Area entities proposing this type of single specialty ophthalmic ambulatory surgical treatment service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
11/07/12

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

2012 SEP -7 PM 3: 27
The Publication of Intent is to be published in the Johnson City Press, which is a newspaper of general circulation in Washington County, Tennessee, on or before September 10, 2012, for one day. 2012 SEP -7 PM 2: 40

***NOTIFICATION OF INTENT
TO APPLY FOR A CERTIFICATE OF NEED***

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Reeves Eye Surgery Center (a proposed ambulatory surgical treatment center), to be owned and managed by Reeves Eye Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need for establishment of an ambulatory surgical treatment center in a building to be constructed at 2328 Knob Creek Road, Suite 500, Johnson City, Tennessee 37604, at a project cost estimated at \$1,247,000.

The facility will seek licensure by the Board for Licensing Health Care Facilities as a single-specialty ambulatory surgical treatment center limited to ophthalmology. It will have one (1) operating room and one (1) laser procedure room. The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any licensed bed complements.

The anticipated date of filing the application is on or before September 14, 2012. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 203, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 9-13-12 jwdsg@comcast.net
(Signature) (Date) (E-mail Address)

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954**

2012 NOV 26 PM 3: 58

DATE: November 30, 2012

APPLICATION #: CN 1209-045

APPLICANT: Reeves Eye Surgery Center, LLC
2328 Knob Creek Road, Suite 500
Johnson City, Tennessee 37615

CONTACT PERSON: John L. Wellborn
Development Support Group
4219 Hillsboro Road, Suite 203
Nashville, Tennessee 37215

COST: \$1,247,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Reeves Eye Surgery Center, LLC, located in Johnson City (Washington County), Tennessee, seeks Certificate of Need (CON) approval for the establishment of an ambulatory surgical treatment center (ASTC) at 2328 Knob Creek Road, Suite 500 in Johnson City.

The facility will seek licensure as a single-specialty ASTC limited to ophthalmology. The facility will have one operating room (Class B; not for general anesthesia) and one YAG laser procedure room, a pre and post op area with two pre-op and two pos-op stations supervised by a nursing station, an exam room, a reception and waiting area, an office, and other appropriate support spaces. The project does not contain major medical equipment or initiate or discontinue any other health service; and will not affect any licensed bed complements.

The project site is located in the northwest sector of Johnson City in the Waterbrooke Professional Park which is two miles south of I-26 (James Quillen Parkway) which connects Johnson City to Kingsport in adjoining Sullivan County. The site is approximately a 10 minute drive from Dr. Reeves' private practice located at 2685 Boones Creek Road. As part of this project, a condominium suite of a single-story office building, containing 3,616 square feet, will be built out and equipped as a licensed eye surgery center. The estimated construction cost for the project is \$373,300 or \$103.15 per square foot. Compared to the 2009-2011 ASTC construction projects approved by HSDA, the \$103.15 per square foot for the Reeves Eye Surgery Center project is well within the range of other approved projects.

The applicant states the facility will be operated initially two days per week, Tuesday and Wednesday from 6:30 am to 5:30 pm. According to the applicant, ophthalmologists must divide their time between seeing patients at their office for diagnosis and non-surgical care, and performing surgical procedures at a surgical facility. The applicant states the facility will be staffed by clinical professionals contracted from Dr. Reeve's practice office for 40% of their time. The first two full calendar years of operation will be CY2014-CY2015.

The applicant, Reeves Eye Surgery Center, LLC, is wholly owned by Dr. Reeves. He does not own an interest in any other licensed facility in Tennessee. Dr. Reeves is the only ophthalmologist in the practice, the only member of the applicant LLC, and the only surgeon proposing to practice in this facility. Dr. Reeves recently left a group ophthalmology practice and eye surgery center in adjoining Sullivan County, in which he had ownership in a large practice. Dr. Reeves left in order to establish an independent office in Washington County. In Supplemental – 1, Section B, Dr. Reeves indicates his willingness to place the proposed ASTC, identified in this application, in a location well beyond the non-complete radius. His new location is closer to Niswonger Children's Hospital, who's regional Children's ED and NICU he expects to cover for pediatric ophthalmology needs. Dr. Reeves is currently the only physician in the practice and has no plans to recruit a partner in the near future.

The total estimated project cost is \$1,247,000 and will be financed with a 100% loan from First Citizens Bank of Johnson City as indicated in a letter from the Market Executive of First Citizens Bank in Supplemental – 1 of the application.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

NEED:

The applicant's primary service area will be Washington and Sullivan counties, which together contribute 80.4% of Dr. Reeve's patients. The secondary service area will consist of other counties in Tennessee that include Carter, Hawkins, Johnson and Unicoi. Lastly, the edge of southwest Virginia that is near the Tri-Cities area will be part of the targeted primary service area.

The following charts illustrate the 2012 and 2016 Total service area population and the 2012 and 2016 Age 65 and older service area population projections.

Service Area Total Population Projections for 2012 and 2016

County	2012 Population	2016 Population	% Increase/ (Decrease)
Carter	59,965	60,564	1.0%
Hawkins	59,665	61,494	3.1%
Johnson	18,753	19,172	2.2%
Unicoi	17,882	17,973	0.5%
Sullivan	154,250	154,872	0.4%
Washington	119,361	122,518	2.6%
Total	429,876	436,593	1.6%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Health Statistics

Service Area Age 65 and Older Population Projections for 2012 and 2016

County	2012 Population	2016 Population	% Increase/ (Decrease)
Carter	9,966	10,793	8.3%
Hawkins	9,907	11,085	11.9%
Johnson	3,486	3,853	10.5%
Unicoi	3,540	3,792	7.1%
Sullivan	28,909	31,156	7.8%
Washington	18,802	20,888	11.1%
Total	74,610	81,567	9.3%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Health Statistics

The following charts illustrate service area eye surgery utilization in single-specialty and multiple special ASTCs.

Service Area Single Specialty Eye Surgery Center 2010 Utilization

Facility	ORs	Procedure Rooms	Procedures
Mountain Empire Cataract & Eye Surgery	2	1	5,147
The Regional Eye Surgery Center	2	1	9,787
Johnson City Eye Surgery Center	2	1	4,532
Tri-Cities Laser Center	1	0	1,083
Total	7	3	20,549

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2010*, Tennessee Department of Health, Division of Health Statistics

Service Area Multi-Specialty Centers Performing Ophthalmic Procedures 2010 Utilization

Facility	ORs	Procedure Rooms	Procedures
Bristol Surgery Center	4	1	46
Kingsport Ambulatory Surgery Center	4	1	630
Johnson City Medical Center ASTC	2	1	2,618
Total	10	3	3,294

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2010*, Tennessee Department of Health, Division of Health Services

The following chart illustrates operating and procedure room utilization in service area hospitals.

Service Area Hospital Operating Room and Procedure Room Utilization in 2010

Hospital	Inpt. ORs	Procedures	Procedure Rooms	Procedures	Dedicated Opt. ORs	Outpatient Procedures	Procedure Rooms	Procedures
Sycamore Shoals Hospital	4	3,125	0	0	0	0	0	0
Wellmont Hawkins Co. Mem. Hosp.	2	817	0	0	0	0	0	0
Unicoi County Memorial Hospital	3	925	0	0	0	0	0	0
Wellmont Bristol Reg. Medical Ctr.	11	7,487	0	0	1*	0	0	0
Wellmont Holston Valley Hospital	16	11,436	0	0	0	0	0	0
Indian Path Medical Center	8	4,058	0	0	0	0	0	0
Johnson City Medical Center	14	8,354	0	0	0	0	0	0
Johnson City Specialty Hospital	1	419	0	0	2*	3,231	0	0
Total	59	36,621	0	0	3	3,231	0	0

Source: *Joint Annual Report of Hospitals 2010*, Tennessee Department of Health, Division of Health Statistics of Health Statistics
*1 day a week

Note to Agency Members: The Division of Health Statistics has no data as to the number of operating or procedure rooms in hospitals that were dedicated solely to eye surgery procedures or the number of eye surgeries performed.

The applicant believes the establishment of this small, single-specialty facility will allow him to reach maximum productivity by avoiding commuting time and by having the support of staff whose efficiency will be optimal due to their focus on ophthalmic procedures only. Dr. Reeves believes it will give him sole quality control of his surgical staff, equipment, and supplies. This will allow him to continue to provide low-income patients with access to care, and to provide all patients with optimal convenience by offering surgical services in a setting with familiar staff and direct access to medical records from the practice several miles away.

The applicant reports there are seven area ambulatory surgery centers that perform ophthalmology services that have utilization far higher than the State Guideline of 800 procedures per room, at which additional capacity may be considered. The applicant states they average 2,000 procedures per surgical room, which is 250% of the State Guideline of 800 per room. The applicant states the three facilities in Washington County, where this project is proposed, operate at 1,622 procedures per room, which is 202% of the Guideline. Of those three, two are open staff where Dr. Reeves could obtain privileges, but they already operate at 2,089 procedures per room, or 261% of the Guideline.

The applicant believes demand in the service area will continue to increase, so that this proposed new facility's CY2014 (Year Two) utilization can be achieved without a reduction in existing surgery centers as a group. According to the applicant, even a 5% increase in eye surgeries in the area will ensure that; and the elderly population in the service area will increase by more than 7.1% by CY2014. Because the elderly generate a large majority of all eye surgeries, a 7.1% increase in the service area's elderly population should increase the number of service area eye surgeries substantially.

The applicant states further that even if area eye surgeries only increased by 5% (1,184 procedures) this is more than Dr. Reeves is projecting. Therefore, the projected utilization for Dr. Reeve's proposed facility is almost certain to come from natural growth in market demand, rather than reducing utilization of existing eye surgery centers as a group.

Most ophthalmic surgeries are now being performed in an ambulatory surgery center, which is a less costly and more efficient alternative than to a hospital setting. Due to the aging of the population, and the development of new technology, eye surgery procedures in most urban areas are rapidly increasing.

The applicant states this is particularly true in this project's primary service area (Washington and Sullivan counties), where ophthalmologists serve a multi-county region of Upper East Tennessee. Seven surgery centers in the primary service area offer eye surgery services. The applicant states in Table Three-A, on page 13, that their total eye surgery procedures increased 57% from 2009 to 2011, a gain of 8,653 procedures in just two years.

Under the sole ownership and control of Dr. Reeves, the proposed project will provide significant benefits to his patients and practice. Patients of the practice will be served by familiar clinical and administrative staff that already has immediate access to their paperwork and clinical information. If patients have cost issues with surgical fees, they will be able to work through those with their ophthalmologist rather than with an unknown facility.

Dr. Reeves, on the days he performs surgery, will be more productive. He can employ hand-picked surgical support staff and control the training, education, and productivity. He will have control over equipment and supply purchasing decisions to balance the objectives of quality outcomes, patient satisfaction, and cost of care. He will control his surgical schedule and is the sole decision maker with respect to serving uninsured and underinsured patients in his surgical facility. The staff of the facility will be highly productive. They will be able to concentrate on repetitive work in just a few types of procedures, achieving maximum efficiency in use of equipment and supplies to support the needs of the surgeon and the patient during a procedure.

The applicant believes the above advantages have long been recognized by the CON Board. The applicant states the Board has consistently viewed as appropriate patient and professional needs, for a type of acute care that virtually all persons will need during their lives, as an inevitable aspect of aging.

The applicant reports they have reviewed an HSDA report showing 21 CON applications to establish eye surgery centers heard by the CON Board over the years. According to the applicant, all 21 of the applications were approved. The need for ophthalmologists to reach maximum productivity to serve an aging population; the need to perform these procedures in the most efficient and cost-effective setting; the need of patients for efficient and convenient service; all of these have been consistently acknowledged by the CON program in Tennessee. As in this case in particular, the applicant believes he has no alternative location where he can meet all of those needs in an optimal manner.

Dr. Reeves is using East Tennessee Ambulatory Surgery Center for his cases currently. He states his cases there in 2012 have been limited by several factors (lack of on-site equipment for eye procedures; lack of eye surgery tables; limitation to only 12 scheduled cases a week). These factors have been limiting his productivity and many of his patients now have to wait a month for

surgery, and every week he loses the opportunity to serve patients for whom such delays are an issue.

The applicant projects year one utilization in his own surgery center to be 1,100 procedures and 1,133 in year two of the project.

TENNCARE/MEDICARE ACCESS:

The applicant physician is currently contracted with BlueCare, TennCare Select, and United Community Health Plan and the facility will contract with these MCOs as well.

The following chart illustrates the TennCare enrollees in the applicant's service area.

TennCare Enrollees in the Proposed Service Area

County	2012 Population	TennCare Enrollees	% of Total Population
Carter	59,965	11,569	19.3%
Hawkins	59,665	12,023	20.2%
Johnson	18,753	3,986	21.3%
Unicoi	17,882	3,680	20.6%
Sullivan	154,250	27,842	18.0%
Washington	119,361	18,977	15.9%
Total	429,876	78,077	18.2%

Source: *Tennessee Population Projections 2000-2020*, February 2008 Revision Tennessee Department of Health, Division of Health Statistics and *Tennessee TennCare Management Information System, Recipient Enrollment*, Bureau of TennCare

Dr. Reeves projects year one gross Medicare revenues of \$1,519,588 or 70% of total gross revenues and Medicaid revenues of \$132,964 or 7% of total gross revenues. Additionally Dr. Reeves is estimating a 3% charity payor mix.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

In the Project Costs Chart located in Supplemental 1, the total estimated project cost is \$1,246,992, which includes \$20,000 for architectural and engineering fees; \$115,000 for legal, administrative, and consultant fees; \$444,768 for acquisition of site; \$373,300 for construction costs; \$28,000 for contingency fund; \$245,000 for moveable equipment; \$17,924 for interim financing; and \$3,000 or CON filing fees.

This is an application for a new facility and therefore, there is not a Historical Data Chart.

In the Projected Data Chart, The applicant projects 1,030 cases/1,100 procedures in year one and 1,133 cases/1,061 procedures in year two with gross operating revenues of \$1,899,485 and \$1,985,815 each year, respectively. Contractual adjustments, provisions for charity care and bad debts reduced net operating revenues to \$759,794 and \$794,326 each year. The applicant projects a net operating income of \$186,617 in year one and \$314,901 in year two of the project.

The applicant projects an average year one gross charge of \$1,727 per procedure/\$1,844 per case, with an average deduction of \$1,036 per procedure/\$1,107 per case, resulting in an average net charge of \$691 per procedure/\$737 per case.

The applicant projects an average year two gross charge of \$1,753 per procedure/\$1,872 per case, with an average deduction of \$1,052 per procedure/\$1,123 per case, resulting in an average net charge of \$701 per procedure/\$749 per case. The applicant compares their average proposed 2014 charge with similar area facilities' 2012 charges on page 50 of the application.

The applicant believes that this proposal, versus the one previously submitted in June 2012, addresses adequately the non-compete clause issues raised by The Kingsport Ophthalmology ASC, LLC in Kingsport TN in which Dr. Reeves was a previous owner. There are two non-competed

zones and they include one for the professional practice (10 miles) and one for the ASTC (15 miles). Additional details can be found in Supplemental – 1, Page 1.

Since leaving The Kingsport Ophthalmology ASC, LLC in Kingsport, Dr. Reeves has been using a temporary facility which is not adequately equipped for significant numbers of eye surgeries. Needed equipment is leased on days when he is there and he has no control over staffing, equipment, supplies, or access for some of his prospective patients. In their operating room there is only a standard O.R. table, which makes turnaround cleaning time lengthier than it would be if the facility had several eye surgery tables. Also, most limiting of all, Dr. Reeves could only obtain permission to use the O.R. on two half days a week, with no more than 6 patients scheduled each day. This is a limitation to 600 scheduled patients a year, which is only half the volume he served at his Kingsport facility last year. In light of these limitations in Washington County, Dr. Reeves has chosen the optimal alternative of financing his own small surgical facility based at his office practice.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant will request transfer agreements with both Johnson City Medical Center and Holston Valley Medical Center where he has admitting privileges.

Due to the aging of the population, and the development of new technology, eye surgery procedures in most urban areas are rapidly increasing.

The applicant states this is particularly true in this project's primary service area (Washington and Sullivan counties), where ophthalmologists serve a multi-county region of Upper East Tennessee. Seven surgery centers in the primary service area offer eye surgery services. The applicant states in Table Three-A, that their total eye surgery procedures increased 57% from 2009 to 2011, a gain of 8,653 procedures in just two years.

The applicant states his departure from Kingsport Regional Eye Center medical group and facility at the end of 2011 did, and will have, a temporary impact on that single facility. However, that impact was inevitable when he moved out of that county and that medical practice. Dr. Reeves must now perform surgeries somewhere else in Washington County. According to the applicant, denial of this application for an optimal setting for his patients would not restore any of his cases to his former facility in Kingsport. Therefore, approval of this application cannot have any additional adverse impact on his former facility.

The applicant projects the following staff needs for years 1 and 2 and they include: 0.4 FTE clinical manager, 0.4 FTE registered nurse, 0.4 FTE scrub tech, 0.4 FTE receptionist, and 0.2 FTE business office employee.

The applicant states they will be too small to offer rotational sites for students in the health professions.

The applicant will seek licensure from the Tennessee Department of Health, Board for Licensing Healthcare Facilities, Medicare and Medicaid certification, and accreditation from AAAHC.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

The applicant states the Guideline for operating an ASTC full-time at 2,000 hours per year cannot reasonably be applied to a practice-based surgery center for a solo ophthalmologist practice because ophthalmologists must spend more than half their time providing office-based care rather than performing surgical procedures.

In this project, Dr. Reeves, who is highly productive in a surgical setting, envisions staffing the ASTC and utilizing it two full days per week, with the other three days being required to care for patients in his office. The facility's hours will be from 6:30 am to 5:30 pm on Tuesday and Wednesday. Actual cases will usually be performed between 7:00 am and 4:00 pm. The times before and after are to open and prepare the facility and to allow for all patients to be recovered and discharged.

- b. The average time per outpatient surgery case is 60 minutes.

The applicant's projected times include an average procedure time of 20.3 minutes and an average case time of 21.7 minutes. Average procedures per case are 1.07. Average turnaround time projected to be 18.9 minutes.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

The applicant states this Guideline is a general one and does not reflect ophthalmology requirements. The applicant states Dr. Reeves' cases vary in their time requirements but will not exceed this guideline.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

The applicant states the analysis in this application utilizes this standard.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

The applicant reports the application's inventory of ambulatory surgery rooms includes all existing and approved operating and procedure rooms.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

The applicant's two-county service area reflects Dr. Reeves' current patient origin in 2012. Eighty (80%) percent of his surgical cases came from Washington and Sullivan counties.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

The applicant's drive time analysis shows that the project site is within 30 minutes of Kingsport and Johnson City.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

The applicant states they have conservatively projected utilization of 1,133 procedures in year two, of which 1,020 will be performed in the single operating room and around 113 in the YAG laser procedure room. The applicant states the operating room will exceed 800 procedures annually but the utilization of the YAG procedure room will not.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

According to the applicant, this project is for a "limited-specialty type program" and this standard need not be applied, at HSDA discretion. However, the project does meet this criterion because the service area's surgery facilities are currently utilized at 202%-267% of the standard 800 procedures per surgical room.

The applicant reports that 80% of capacity means 800 procedure or cases per surgical room. Table Eleven shows the utilization for all seven area surgery centers that offer eye surgery. The applicant reports this data is from the 2008-2011 Joint Annual Reports. Table Five, taken from Table Eleven, demonstrates that the 800 procedure per room guideline is exceeded from several perspectives: at all seven facilities that offer eye procedures; at the three dedicated eye surgery centers in the area, at the three facilities in Dr. Reeves' county, and at two in his county that have open medical staffs.

6. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

The project contains one operating room and one YAG procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant projects in year one, Q1-283 procedures and 265 cases, Q2-294 procedures and 275 cases, Q3-279 procedures and 262 cases, and Q4-244 procedures and 228 cases. In year two, the applicant projects Q1-291 procedures and 273 cases, Q2- 302 procedures and 283 cases, Q3-288 procedures and 269 cases, and Q4-252 procedures and 236 cases. Year one total procedures are projected to 1,100 and projected cases are 1,030. In year two total procedures are projected to be 1,133 and cases are projected to 1,061.

8. A CON proposal to establish an ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center must project patient origin by percentage and county of residence. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant states projections are based on the current CY2012 patient origin of the practice.

**Dr. J. SCOTT GENTRY, O.D., P.C.**

301 MONTGOMERY ST. JOHNSON CITY, TN 37604

926-2642

2012 DEC 3 PM 2:44

29 November, 2012

Dr. J. Scott Gentry, O.D., P.C.
301 Montgomery Street
Johnson City, TN 37604

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Support for Reeves Eye Surgery Center, CN #1209-045

Dear Mrs. Hill,

I am writing to you to indicate my strong support for the above mentioned upcoming and extremely necessary certificate of need for our upper East Tennessee region.

Not only have I (and scores of my patients) had the pleasure to benefit from the ocular surgical expertise of Dr. Downy Reeves, but dozens of my colleagues within at least a one hundred mile radius also are utilizing his skills with exceptional quality and results.

With the aging of our populace, along with the Affordable Care Act, we eye care providers are currently seeing (and soon will be enrolling) many more patients of all ages that will require experienced and efficient ocular surgery necessary either to maintain or to regain their quality of vision in their lives.

It is both with my pleasure and firm conviction as a current member of the Tennessee State Board of Examiners in Optometry that I can recommend the need for approval for the Reeves Eye Surgery Center. Our fellow Tennesseans and their ocular surgical needs will be the beneficiaries without question.

In advance, thank you for your consideration in this sincere request.

Best Personal Regards,

J. Scott Gentry, O.D.
J. Scott Gentry, O.D.



CITY OF JOHNSON CITY
TENNESSEE

OFFICE OF THE MAYOR

2012 DEC 3 PM 2 44

November 28, 2012

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Support Letter--Reeves Eye Surgery Center Project

Dear Mrs. Hill:

I am writing in support of this application you are reviewing, from Donny Reeves, M.D., an eye surgeon who has recently relocated to our community from the Kingsport area.

Dr. Reeves can be most productive in his work if you allow him to combine his eye surgery cases at one location that he can staff and control. He is very responsive to our community, providing care to children as well as adults. His skills are highly respected and he has strong support from optometrists in this area, who refer their patients to him for medical diagnosis and surgery when needed.

I hope you will look on his project favorably.

Sincerely,

A handwritten signature in black ink that reads 'W. Jeff Banyas'.

W. Jeff Banyas, mayor
City of Johnson City

**Dr. J. SCOTT GENTRY, O.D., P.C.**

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TENNESSEE

OFFICE OF THE MAYOR

2012 DEC 3 PM 2 44

November 28, 2012

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Nashville, Tennessee 37243

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Sincerely,

A handwritten signature in black ink that reads 'W. Jeff Banyas'.

W. Jeff Banyas, mayor
City of Johnson City

2012 NOV 29 PM 2 04

November 27, 2011

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Support for Reeves Eye Surgery Center, CN #1209-045

Dear Mrs. Hill,

It is with great pleasure that I have the honor of giving my support for Reeves Eye Surgery Center. I have known Dr. Reeves for several years and his professionalism and patient care have always exceeded the expectations of clients that have been referred to him. He and his staff continue to be a great asset to our community and the eye care profession.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Zachary B. Thomas', is written over a horizontal line.

Zachary B. Thomas, General Manager - Vision Works, Bristol TN

2012 NOV 29 PM 2 05

November 29, 2012

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Support for Reeves Eye Surgery Center, CN #1209-045

Dear Mrs. Hill:

I have enjoyed an excellent co-management relationship with Dr. Donny Reeves for the past two years. I have sent Dr. Reeves a variety of referrals in the past; some routine, but many for the evaluation of conditions that I couldn't trust to anyone else. He is an incredibly personable man as well as a gifted surgeon. He is an asset to our community, and I am fortunate to work in concert with him.

Sincerely,


Nathan Emmert, O.D.

2012 NOV 29 PM 2 04

November 27, 2011

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
500 Deaderick Street
Nashville, Tennessee 37243

RE: Support for Reeves Eye Surgery Center, CN #1209-045

Dear Mrs. Hill,

It is with great pleasure that I have the honor of giving my support for Reeves Eye Surgery Center. I have known Dr. Reeves for several years and his professionalism and patient care have always exceeded the expectations of clients that have been referred to him. He and his staff continue to be a great asset to our community and the eye care profession.

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Zachary B. Thomas, General Manager - Vision Works, Bristol TN

2012 NOV 29 PM 2 05

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Tennessee Health Services and Development Agency
Andrew Jackson State Office Building, Suite 850
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Nashville, Tennessee 37243

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